



CHAINS OF DESTRUCTION

The global trade in illegal timber and why
Asia-Pacific governments must act now.

GREENPEACE

INTRODUCTION

The Paradise Forests of Asia Pacific are disappearing. These forests are extraordinarily biologically and culturally diverse. They are also a crucial barrier to climate change. However due to illegal and destructive logging, the forests are being consumed at an ever increasing rate, and governments so far have failed to provide a solution.

The governments who are party to the East Asia Forest Law Enforcement and Governance (FLEG) process have not implemented ANY rigorous measures to stop the illegal trade of timber from the region, despite the fact that they committed to do so in September 2001.

“Countries from the East Asian and other regions participating in this Ministerial Declare that we will: Take immediate action to intensify national efforts, and to strengthen bilateral, regional and multilateral collaboration to address violations of forest law and forest crime, in particular illegal logging, associated illegal trade and corruption, and their negative effects on the rule of law”.

Bali Ministerial Declaration, 13, September 2001]]

The FLEG process has the potential to make an important contribution in reducing the scourge of illegal logging. Increased regional as well as international cooperation and resources are fundamental to ensuring the success of this process. Greater law enforcement, governance and transparency will be vital components of this effort.

Strong measures need to be adopted not only in producer countries, but also consumer countries. Consumer countries must recognise that demand from their markets for cheap timber and wood products is fuelling this environmental disaster, and respond appropriately with legislation that allows for the prosecution of individuals and companies involved in the illegal trade of timber and timber products.

This case study report outlines the problems faced by forests and forest communities in the Asia-Pacific, and points to ways that governments in the region could be acting now in order to prevent an ecological disaster. Throughout the report we use case studies of the issues in key countries involved, and name some of the companies and organisations that are perpetuating the problem.

Greenpeace calls on the governments of the Asia Pacific to take immediate action and to meet the commitments that they made in Bali on the 13th of September, 2001

Governments must start to act now before it is too late.

THE PARADISE FORESTS

ANCIENT FORESTS UNDER THREAT

Ancient forests are natural, primary and old growth forests found in boreal, temperate and tropical regions. Their ecosystems are mostly shaped by natural events and have suffered little human impact.

Today, only 20 per cent of the original ancient forests on Earth remain in large intact tracts. They house around two-thirds of the world's land-based species of plants and animals.¹ Ancient forests don't just nurture those living within them, they regulate critical environmental systems that support life on earth.

These magnificent ancient forests are under threat from human activity, such as illegal and destructive logging, clearance for industrial scale agricultural uses like oil palm and soy plantations and human induced forest fires. Every two seconds, an area of ancient forest the size of a football field is destroyed.

The rate of forest loss in the Asia Pacific region is the fastest in the world. These forests (the Paradise Forests) stretch from South East Asia, across the islands of Indonesia and on to Papua New Guinea and the Solomon Islands in the Pacific. In Indonesia alone, an area of forest at least the size of Wales disappears every year² and 72% of Indonesia's large intact ancient forests have already been destroyed.

Deep in the Paradise Forests, some of the world's rarest animals and plants face extinction from logging. In Papua New Guinea, at least 168 forest dwelling species are threatened by habitat loss.³ If the destruction is not stopped, a staggering variety of unique forest species will be lost forever, some even before they are discovered.



Pristine Forest, Raja Ampat, Papua, Indonesia ©Greenpeace



Logging camp, Raja Ampat, Papua, Indonesia ©Greenpeace



The Paradise forests of South East Asia and the Pacific regions are one of the forest regions under the greatest threat.

NEW GUINEA ISLAND

The Island of New Guinea, the world's second largest island, has the largest continuous tracts of ancient forest in the Asia Pacific region. The island is divided almost exactly in half with the Indonesian territory of Papua in the west and the nation of Papua New Guinea in the east.

New Guinea Island is extraordinarily rich in plant and animal life. Due to a complex geological history, which separated New Guinea from much of South-East Asia and Australia⁴, approximately half the known species of plants, mammals, reptiles, birds and amphibians found on the island only occur here and nowhere else in the world⁵. Many species remain unknown to science with each expedition likely to discover new or thought to be lost species.⁶

New Guinea Island contains:

- 17,000 species of plants, 10,200 of which are endemic
- 233 species of mammals, 146 of which are endemic
- 650 species of birds, 334 of which are endemic
- 275 species of reptiles, 159 of which are endemic
- 237 species of amphibians, 215 of which are endemic

In February 2006, Conservation International and the Indonesian Institute of Sciences released results from a recent expedition (December 2005) to the Foja Mountains in Papua, where they discovered many unknown species. Scientists found more than 20 new species of frogs (one of which is only 14mm long), four new butterflies, a new species of bird (the orange-faced honeyeater), five new species of palm and many other plants yet to be classified, including what may be the world's largest rhododendron flower.⁷

These large untouched tracts of forest are some of the last of their kind in the world. However illegal and destructive logging threatens to destroy it.

ILLEGAL LOGGING

Across the Paradise Forests, illegal and destructive logging is having a devastating impact on people and the environment, and it is pushing alarming numbers of plant and animal species to extinction. One of the greatest challenges in many regions of the Paradise Forests is the need to improve law enforcement and governance, including the elimination of corruption and bribery amongst companies and government officials. Unchecked demand and the lack of laws to enable confiscation of illegal timber and prosecution of offenders in consumer countries, also drives this destruction.

In a recent statement, the Indonesian Forestry Minister, Malam Sambat Kaban, said that "eradicating illegal logging was difficult as it not only involved international criminal organisations but also many corrupt officials in important posts in various state institutions."⁸

Transparency International ranks many countries of the Paradise Forests region amongst the most corrupt in the world. Major forest countries, like Indonesia, Papua New Guinea, Cambodia and Myanmar are rated in the most corrupt 20% of all countries surveyed (158 in total).⁹



A Tree Kangaroo who's habitat is under threat from destructive and illegal logging in PNG.

©Greenpeace/Gerald Cubitt

Lesser Bird of Paradise.

©Greenpeace/Mizukoshi



ILLEGAL LOGGING RATES

In Indonesia it is estimated that 76-80% of all logging is illegal¹⁰

Almost all logging in Papua New Guinea is illegal as it does not conform to the constitution of PNG to obtain informed consent by the customary land owners.

Logging in the Solomon Islands is controlled by a handful of Asian corporations. These companies have long been criticised and documented as providing little benefit to the country whilst employing destructive practices, including: illegal logging,¹¹ illegal log exports,¹² illegal payments to officials,¹³ destruction of local water supplies¹⁴ and prostitution¹⁵.

In the Philippines, close to 97% of the original forest cover of the country has been logged, above 50%¹⁶ of which is believed to have been felled illegally. Now as little as under 829,000 hectares of primary rainforest remains.¹⁷

WHAT IS 'ILLEGAL LOGGING'?

In the strictest definition illegal logging takes place when timber is harvested, processed, transported, brought or sold in violation of national laws. Laws can be violated at many different stages of the supply chain and can include:

The World Bank estimates the annual global market value of losses from illegal cutting of forests at over US\$10 billion, and annual losses in government revenues of about US\$5 billion.¹⁸

- Obtaining concessions illegally (eg. via corruption and bribery) or without full and informed consent.
- Trade in violation of export bans (eg Indonesian log export ban)
- Cutting protected tree species or extracting trees from a protected area
- Taking out more trees, under sized trees, oversized trees than is permitted or trees outside an agreed area
- Illegal processing and export
- Fraudulent declaration to customs of the amount of timber being exported
- Non payment or under payment of taxes
- Use of fraudulent documents to smuggle timber internationally.

DON'T DESTROY MY FOREST HOME



Woman and child gathering food in the forest, Middle Fly District, PNG. ©Scheltema/Greenpeace

Illegal and destructive logging has dire consequences for forest communities. For the people who depend upon the forest for all or some of their livelihoods, it can mean a form of cultural extinction, they cannot continue to exist as they have for generations.

It destroys the trees that they depend on for food and building materials, kills medicinal plants and pollutes their only drinking water. Their subsistence lifestyle, supported by the forest for thousands of years, turns to poverty overnight.

Some local landowners are often forced off their land or into logging camps. Many suffer violence and abuse.¹⁹



“It has destroyed our river systems. We cannot fish, we cannot drink the water. And it has destroyed our livelihood. Our forest has been our one stop shop and that is not the case today”

John Danaiye, Musula village clan leader, Western Province, PNG

Although illegal logging is a serious problem, legal logging can also be highly destructive and is often closely linked with illegal logging. Therefore addressing only illegally sourced timber is not sufficient to protect the world's ancient forests

THE PRODUCER COUNTRIES

PAPUA NEW GUINEA

The logging industry in Papua New Guinea is characterised by environmental destruction, corruption and human rights impacts. Logging companies have already acquired 70 per cent of Papua New Guinea's available forest resources.²⁰ The PNG government has plans to hand out concessions for most of the remaining forest to logging companies, which despite operating outside of the law, continue to log with impunity.

There exists extensive documentation including official government and independent studies²¹, and media reports²², which provide clear evidence of this. These have been widely published and distributed in the public domain. No independent assessment of concessions in PNG has recorded a single case of full legal compliance.

Most large-scale logging operations in PNG are unlawful as they are in fundamental breach of a number of basic legal requirements. Most operations:

- do not have the full and informed consent of the local customary owners, as is required by the PNG Constitution
- have not met the requirements of the Forestry Act
- are being operated in defiance of environmental laws and regulations
- are being operated in defiance of workers rights and basic health and safety regulations
- are not sustainable, a specification identified in both the PNG Constitution and the Forestry Act.

There are also extensive documented human rights abuse cases and financial fraud including tax evasion and transfer pricing.



Landowner Sakas Aonomo, on a stockpile of logs at Log Camp 56, Wawai Guavi Block 3, Middle Fly, Western Province, PNG.

©August 2003 Scheltema/Greenpeace

In 2003 an independent team of experts, working with a World Bank backed Forestry and Conservation Review for the Papua New Guinea Government, produced a damning report on a number of new and disputed logging permits and extensions. The review reached the *'unavoidable conclusion that there have been serious departures and breaches from due process and there are serious anomalies in the timber permits and agreements.'*²³

Despite Papua New Guinea's Constitutional recognition of the rights of the customary landowners, illegal logging in PNG is the norm. Logging occurs without the full and informed consent of customary landowners. By law, all major land and forest agreements are required to be approved by the customary landowner group, not by individuals. The reality is that this simply does not happen, with contracts often being written in English that few of the landowners are even able to read. Bribery is often involved. Greenpeace estimates that between 90 to 100 per cent of the logging that occurs in the country is therefore illegal.

In addition to this fundamental violation of the law the 2003 Review found not one concession to fully comply with all relevant laws. Many were in breach of environmental regulations and several were controlled through violations of human rights, including rape and physical violence, by logging company officials, or by police associated with the logging companies.²⁴

*"The use of physical force by the Police Task Force to intimidate employees and landowners was one of the major issues raised by all members of the community. The people most certainly welcome the presence of police in the area, but not in the manner they were behaving and under total control of the company."*²⁵

Despite the severity of the problems cited by the Review Team, and despite the fact that the team was *"seriously concerned for the safety of those workers and landowners seen talking with the team"*, no penalties were imposed and no action was taken by the government.

The PNG Government's official position is that there is no such thing as illegal logging and all loggers in PNG have permits approved by the Government. However, the government is choosing to ignore the weight of evidence against this assertion.

INDONESIA

Deforestation rates in Indonesia are amongst the highest in the world. Estimates have ranged between 1.9 million ha per year in the last five years (2000-2005), according to FAO²⁶ calculations²⁷ and 2.8 million ha per year, as recently stated by Indonesia's Minister of Forestry, Malam Sambat Kaban²⁸. In total, Indonesia has already lost more than 72% of its large intact ancient forest areas²⁹ and 40% of its forest completely.³⁰

According to official figures illegal logging was estimated to supply 76% of Indonesia's timber consumption in 2004.³¹ This figure, however, did not account for logs being illegally smuggled abroad to China, Malaysia and elsewhere. This practise, rampant in 2004 and still ongoing today (despite tougher law enforcement), would push the level of illegal logging as high as 80%, only slightly less than the 88% previously calculated by Greenpeace for 2002. This slight decrease was mainly due to a decline in mill production, and to a smaller degree to tougher law enforcement.

Logging intensifies social unrest across Indonesia. In Papua logging operations, often protected by corrupt officers of Indonesia's police and armed forces, create conflicts with local communities. There are numerous reports of human rights violations and killings in direct relation to the protection of interests of logging companies.³² For example in 2001, tensions in Wasior between a logging company belonging to Kayu Lapis Industries and the local community resulted in the Police Mobile Brigade (Brimob) launching a large scale operation. Brimob forces were accused of carrying out indiscriminate shootings, torture and other acts which terrified the local population during their subsequent operations.³³

Illegal logging has a long history in Indonesia. The government recognises the lack of governance and a high level of illegal logging as a major obstacle for the sustainable management of its timber resources.³⁴

Forest Minister Kaban believes the high deforestation rate is defrauding the public purse of some Rp 41 trillion (about US\$4 billion) each year.³⁵

The government fails, however, to seriously tackle one key reason for this situation: Indonesia's huge over-capacity in the processing sector. Running at full capacity, the wood processing industry (timber and pulp combined) would consume up to 80 million cubic

metres (m³) of timber,³⁶ while the legal harvest from natural forests and plantations amounted to only 12.2 million m³ in 2004.³⁷

According to the latest available figures (taking into account reduced production levels due to raw material shortages) timber needs still amounted to 53 million m³ in 2004, resulting in a level of illegal logging filling the gap between need and legal harvest of 76% to 80%.³⁸

Fighting illegal logging in Indonesia seems meaningless, unless the over capacity issue is resolved.

THE PHILIPPINES

SIERRA MADRE AND ILLEGAL IMPORTS



A logging camp on the edge of a burned clearing, Sierra Madre, Phillipines. The river is used to transport logs downstream. ©Greenpeace 2005

In the Philippines, 80% of the original forests are completely gone, with less than 3% of ancient forests remaining in small patches.³⁹

The ancient forests of the Philippines were subject to an enormous logging industry between the 1960s and the 1980s. Much of this timber extraction was illegal and was supported by the Marcos regime. By the mid 1980s very little of the Philippines primary rainforest was left standing and President Aquino announced a log export ban. The log exports ban from natural forests is still in place.

As a political response to the occurrence of the 2004 floods and landslides in the logging provinces of Aurora and Quezon in Luzon island (which resulted in



Illegal logging in the Sierra Madre mountains, Phillipines. Freshly cut logging roads are allowing illegal loggers access to the forest .

©Greenpeace 2005

heavy loss of lives and damage to property), President Arroyo declared a logging moratorium in the entire country towards the end of 2004. A few months after, the logging moratorium was lifted in certain areas in the country, including Aurora Province. This has produced the absurd situation of a logging moratorium in place for denuded areas and logging resumption in areas where most of the remaining forest cover is found.

In November last year, Greenpeace investigators documented continuing illegal logging occurring in the Sierra Madre National Park in Isabela province, Luzon Island. The northern Sierra Madre National Park is a legally-declared protected area, free from all forms of logging or exploitation.

A Greenpeace team flew over much of the Sierra Madre and witnessed continuing illegal logging in a strict protection zone. Much of this timber appears to be feeding the furniture industry in northern Luzon, Manila and nearby provinces. The furniture industry exports some furniture to international markets.

In addition, illegal timber is imported into the Philippines from other parts of Asia and the Pacific, like Indonesia, Papua New Guinea and the Solomon Islands.

The Philippines continues to suffer environmental degradation and landslides due to the loss of forest cover. On 17 February 2006 over 1000 people were buried and died from landslides in southern Leyte Island in the Visayas. This ecological disaster could have been attributed to over-logging. The Philippines has paid dearly for its history of deforestation, and the

BURMA

Global Witness recently published a damning report on the illegal timber trade between Burma and China⁴⁰. Almost all logging in Burma is illegal and is controlled by the Burmese military government. The timber trade between Burma and China shows that there is a mismatch between the statistics of timber leaving the country and quantities of timber entering other importing countries. This amounts to approximately 1 million cubic meters of timber that is unaccounted for and thus leaving Burma illegally⁴¹.

The report states that In 2003-04,

- a minimum 1.3 million m³ Round Wood Equivalent (RWE) of timber exports, almost two-thirds of total exports, were illegal according to Burmese law
- that the vast majority of timber illegally exported from Burma is destined for China
- that the value of the timber illegally exported from Burma is equivalent *pro rata* to an import value of roughly US\$300 million⁴².

It goes on to say that while some burden should fall on the Burmese government and the cease-fire groups in Kachin state, the Chinese government should take much greater responsibility to end this destructive cross-border trade.



To view the report go to:

www.globalwitness.org/reports/index.php?section=burma

government must do far more to prevent illegal logging and Illegal imports, and to support the international community deal with the problem.

CHINA

China is the second largest importer of forest products from Indonesia and the largest for PNG. China has repeatedly stated it will work with the international community to tackle illegal logging and its associated trade, but so far has not taken any real actions.

China's hunger for wood consumption is reshaping the global wood market and trade. Unprecedented economic growth, coupled with a lack of domestic forest resources, has driven China to increase timber imports from other countries, many of which are plagued with severe illegal logging and deforestation. In less than 10 years, China has become the world's second largest importer of wood products, and the largest importer of unprocessed tropical logs and timber. Meanwhile, China is becoming the world's factory for plywood, furniture and paper. Exports of wood products are growing at a faster rate than domestic consumption. In many cases, illegal timber is imported, processed, and exported as 'laundered' products. 'Made in China' products are flooding stores in the United States, Europe and Japan as buyers in these countries are lured by quick profits, regardless of whether the products are made with illegal timber or not.

China is considered to be the largest destination for illegal timber, but it has not taken any real actions to stop the illegal trade. The Chinese government still lacks the political determination to bring all related ministries together to tackle the problem. On the industry front, most companies are not concerned if timber is coming from illegal or unsustainable source.

The Chinese Government must ban illegal timber imports, and to start implementing its promises made in bilateral and multilateral agreements including the China-Indonesian MoU and the Bali Declaration.

JAPAN

Japan is one of the main wood-importing countries in the world. It is the second largest importer of forest products from PNG and the largest for Indonesia. Japan's imports, whether obtained illegally, destructively or sustainably, are shipped indiscriminately from around the globe. The lack of restricting regulations and investigations into the origins of landed timber in Japan, has allowed the continued importation of illegally extracted timber.

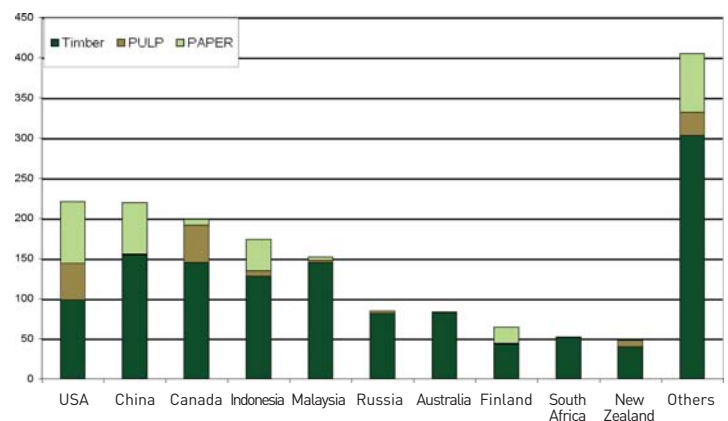
The Japanese government has admitted the country's responsibility over the course of a series of international meetings including:

After the 2001 G8 Summit in Okinawa, the Liberal Democratic Party in Japan established a committee to establish measures to save the world's environment from global illegal logging and imports. The committee leader, Mr. Matsuoka said: "Our country imports about 80% of its national wood demand, and it is said that the majority possibly comes from illegal logging...I think importing countries should also take tight measures".⁴⁴

September 2001: Japan signs the Bali Ministerial declaration for the East Asia Forest Law Enforcement and Governance process, committing to "Take immediate action to intensify national efforts, and to strengthen bilateral, regional and multilateral collaboration to address violations of forest law and forest crime, in particular illegal logging, associated illegal trade and corruption, and their negative effects on the rule of law."

April 2002: the 6th Conference of the Parties to the Convention for Biological Diversity (CBD COP6) Vice-Environment Minister, Mr. Yamashita expressed Japan's concerns that illegal logging is a major constraint to sustainable forests management and that illegal logging impacts on the conservation of Forests Biodiversity. He urged producer and consumer countries to urgently cooperate to develop measures against illegal logging.⁴⁵

June 2003: Japan-Indonesia Joint Announcement & Action Plan



Top suppliers of forest products to Japan in 2005 by commodity⁴³

The announcement was signed bilaterally by both the governments of Indonesia and Japan. It aimed to: improve forest law enforcement, increase awareness, and promote adaptive forest practices toward sustainable forest management.⁴⁶

July 2005: G8 Summit in Gleneagles

The Communiqué stated: “We recognise the impacts that illegal logging has on the livelihoods of many in the poorest countries in Africa and elsewhere, on environmental degradation, biodiversity loss and deforestation and hence global sustainable development....We agree that working to tackle illegal logging is an important step towards the sustainable management of forests. To tackle this issue effectively requires action from both timber producing and timber consuming countries”.⁴⁷

GREEN PROCUREMENT POLICY

The government of Japan has announced it will commence a public timber procurement policy from April, 2006. The procurement policy, which aims to exclude illegal logging and trade, will be implemented under its Green Purchasing Policy.⁴⁸ However, the effectiveness of the policy is still under question due to its inadequate measures. The measures would allow a certificate authorised and issued by industrial groups or by large corporation (private timber holding companies) or local governments, to be adequate proof of legality. However, the only credible option is to allow independent third party certification bodies to do this.

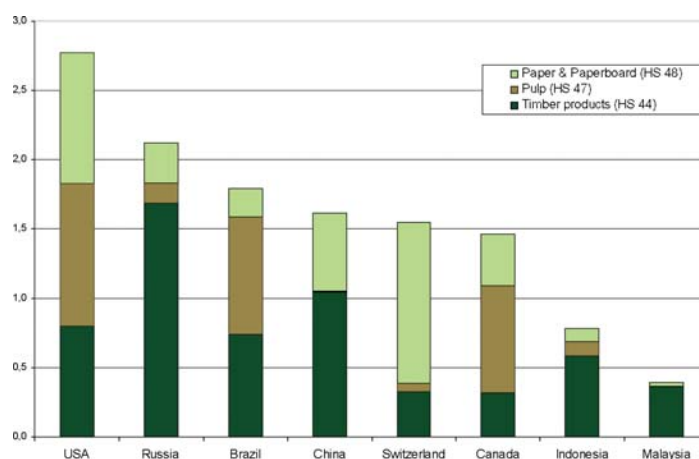
Despite these commitments and statements, the Japanese government has not yet taken any real measures to regulate imports or control the vicious circle of increasing imports of cheaper timber and decreasing self-sufficiency. In Japan, two-thirds of the land area is forested and 41% of all forests are softwood plantations. In theory, the Japanese domestic forestry could meet a fair share of the domestic demand for wood products. Today both supply and demand for domestic wood in Japan are very low, largely because of the availability of cheap imported wood from foreign resources. Japan’s self sufficiency was around 20 per cent in 2004 compared to 90per cent 40 years ago.⁴⁹

The Japanese government needs to ban illegal timber imports, and to start implementing its promises

made in bilateral and multilateral agreements, such as the Japan-Indonesian MoU, and the FLEG Bali Declaration.

THE EU

The Member States of the European Union (EU) play a key role in fuelling the international demand for timber products from countries and regions where illegal and destructive logging is rife. The EU, for example, is the second largest market for sawn



Top suppliers of forest products to the EU25 countries in 2005 (January to October) by commodity⁵¹

timber from Asia and the second largest market for Asian plywood.⁵⁰

To address the problem of illegal logging, the European Commission adopted an Action Plan on Forest Law Enforcement, Governance and Trade (FLEGT) in May 2003. The Action Plan recommends the development of Voluntary Partnership Agreements (VPAs) with timber producing countries which are aimed firstly at helping these signatory countries improve their governance and forest management and secondly, implementing a licensing system to ensure that they only export legal timber to Europe.

For Greenpeace, the EU and timber exporting countries should negotiate VPAs that will lead to better forest sector governance, ecologically and socially responsible forest management and to the establishment of a fair and sustainable bilateral trade regime for wood products.



Rainforest, Jayapura, Papua, Indonesia. ©Greenpeace 2005

Greenpeace is calling for the adoption of:

- a positive definition of legality that will clarify both what is legal and sustainable timber,
- a joint timeframe programme of work involving measures to review existing forest related laws, tackle weaknesses in forest sector governance and establish ecologically and socially responsible forest management,
- clear procedures and institutional mechanisms that will ensure the fair and meaningful participation of civil society, including indigenous people organisations and local communities,
- a timber licensing scheme, based on independent monitoring and verification, covering all wood products and all exports, that will ensure legal and sustainable wood exports.

However, Greenpeace believes, the VPAs alone will be insufficient and illegal timber products will continue entering the EU market.⁵² This is because there are serious loopholes in the voluntary approach:

VPAs will only cover direct trade with Europe, not timber products imported via a third party country, such as China.

VPAs will only apply to countries that enter into such agreements, there excluding countries such as Papua New Guinea, which is home one of the last intact areas of ancient forest in South East Asia.

The current proposal only includes plywood, logs and sawn timber products. This means that pulp, paper and furniture will not be covered by the system.

To underpin the VPAs, Greenpeace urges the EU to adopt a comprehensive legislation that will close immediately its market from all illegal timber and wood products from all countries and establish control mechanisms to ensure that only legal and ecologically sustainable wood products enter its market.

Compliance with the laws of timber producer countries should not be a first step or an end goal, but a pre condition to accessing the EU market. Each company should be obliged under the EU law to demonstrate the legality of the timber products it buys and sells on the EU market and be made accountable for that. This should not require incentives or voluntary mechanisms.

The external policy of the EU, including the VPAs, should aim to assist and support the efforts of timber exporting countries to get truly sustainable forest management in place. Sustainability must go hand in hand with legality. This action, combined with the adoption of measures, such as timber licensing scheme and environmental procurement policy for timber products, should aim to ensure only legal and sustainable wood supply to the EU.

As an end goal, the EU and timber exporting countries should work towards the establishment of an equitable and sustainable trade regime for timber and forest products, which will promote social equity and poverty alleviation, contribute to ecologically and socially responsible forest management and end biodiversity loss.

CASE STUDIES



THE ORGANISATIONS AT THE HEART OF THE PROBLEM PAPUA NEW GUINEA CASE STUDY

RIMBUNAN HIJAU

Rimbunan Hijau is a Malaysian group of companies with its origins in logging and wood processing. It has expanded into sectors like finance, agriculture and media. Rimbunan Hijau is a timber giant and its logging and timber processing operations are active in many forest countries of the world including Indonesia, PNG and the Solomon Islands. Their major timber products are logs, veneer, plywood and lumber.

“I mean we bashed them up, we hit them with huge irons, and when we mobilised there, we made sure that these people who complained against the rights of their benefits were being manhandled. We belt them good and proper. Some were flown to a Daru hospital, some broke jaws, some broken hands, legs, beaten black, deep cuts on their hands, the pain they got was just so big- they bled you know.”.

Constable Emmanuel Bani, Formerly PNG Police Task Force member, describing actions performed by him and colleagues at Wawoi Guavi, Western Province PNG under directions from officials of Rimbunan Hijau. SBS Australia "Dateline", 3.11.04

Rimbunan Hijau is the most destructive company operating in PNG and is responsible for nearly half of all logs that leave the country.⁵³

RH Logging camp PNG. ©Greenpeace/Birch

Many illegalities have been documented in Rimbunan Hijau's operations, ranging from the fraudulent acquisition of concessions, breaches of environmental regulations, and human rights abuses.

The 2003 Review Team Report states that Rimbunan Hijau's Wawoi Guavi Timber Company's *"treatment towards citizen employees in many aspects of their employment reflects labour exploitation and slavery, and should be condemned at all levels."*⁵⁴

Kamula Dosa is PNG's largest unallocated logging concession. Located in Western Province it covers over 791,200 hectares and contains an estimated 11.3 million cubic metres of commercial timber⁵⁵. The concession is the biggest prize available to the logging industry in PNG and is coveted by a number of logging companies including Rimbunan Hijau.

An Ombudsman Commission investigating the illegal extension of the Wawoi Guavi concession into Kamula Dosa (awarded to a Rimbunan Hijau owned company), accused a number of the country's Forest Ministers of being involved in serious misconduct.⁵⁶

The Ombudsman Commission made a range of recommendations including revoking the decision to award the Kamula Dosa concession to Rimbunan Hijau and taking action against a number of board members, **but these recommendations have not been enforced.**⁵⁷

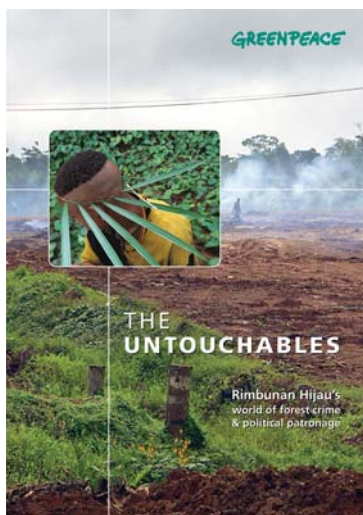
Half the concessions and permits under review in 2003 were operated by Rimbunan Hijau: Wawoi Guavi, Vailala Blocks 2 and 3, Passismanua. The review found that the extensions to all three projects were unlawful as they breached legal requirements and had not followed due process.

Yet despite all these problems, the company appears to be protected by political patronage and its forest crimes in PNG go unchecked.

Internationally, however, Rimbunan Hijau's activities are not equally accepted. Following the review teams findings, the New Zealand Timber Importers Association banned Rimbunan Hijau's subsidiary company "The LumberBank" from its membership. When the company disputed this action, the New Zealand High Court found that the company was unable to prove that they operated legally and sustainably.⁵⁸

Illegal products from Rimbunan Hijau's operations in PNG and other countries find their way either directly or via third countries to most industrialised countries in the world. Rimbunan Hijau timber from PNG is mainly shipped to China and Japan to make cheap plywood, which is then also exported to the EU. Plywood made of "Bintangor" or "Red Canarium" (both PNG species) can be purchased from almost any large wholesaler in the UK, France, Germany and other EU countries. Some larger companies, like the Kingfisher Group (UK) or St. Gobain (France) have said that they will stop buying PNG related plywood. These commitments, however, may remain symbolic if EU governments and the trade as a whole do nothing serious to stop the import of illegal forest products. Chinese plywood supplies to the EU almost doubled from 2004 to 2005 – the future for the forests of PNG looks dim.

In 2003, Greenpeace International released its groundbreaking report on Rimbunan Hijau: *The Untouchables, Rimbunan Hijau's world of Forest Crime and Political Patronage*.



<http://www.paradiseforest.org/publications.php>

INDONESIA CASE STUDIES

KORINDO

The Korean-Indonesian conglomerate Korindo is a classic example of over capacity in the Indonesian industry. Korindo is one of the top 5 plywood producers in Indonesia. In 1996 it had a 5 per cent share of installed capacity.⁵⁹ Today it has a much

higher share of total production, as raw material shortages have forced many other mills to shut down. Although it is a major concession holder in Indonesia, Korindo procured over a third of its timber needs in 2002 from untraceable sources,⁶⁰ meaning the timber did not originate from recognised legal sources of timber like natural forest timber concessions or from natural forest areas authorised to be clear-felled for industrial timber or agricultural plantations—a process that is highly destructive, but legal.

Most of the untraceable sources from which Korindo procured raw material are believed to be from illegal district-licensed land clearing permits gazetted inside the National Forest Zone, the issuance or extension of which was outlawed after 1 March 2002 by the Department of Forestry. As a result of such sourcing, Korindo was indeed caught purchasing illegal logs at one of its mills (PT. Korindo Ariabima Sari) during one of the rare inspections by the Indonesian Department of Forestry in May 2003.⁶¹

In the three years since the confirmation that Korindo's Ariabima Sari mill 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 mill to be harbouring illegal logs, the Department should have immediately ordered the production in that mill to be frozen. Instead the mill continued to export plywood to Europe, Japan and many other countries.

The Korindo Ariabima Sari mill also operates in excess of its legal capacity. The mill was legally allowed, under Indonesian law (PP 13, 1995), to produce a maximum of 86,500 cubic metres of plywood in its factory in 2002. However, that year, the factory produced over 143,500 cubic metres – well in excess of legal production.⁶²

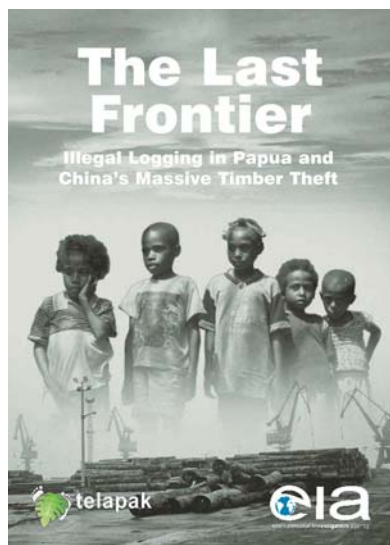
In fact, two other Korindo mills also exceeded their legal operating levels during the same year, PT Bade Makmur Orissa in Papua and PT Inne Dongwha in Kalimantan.⁶³

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. It refused to participate in the initiative.

Korindo's major plywood markets, are the EU, Japan

and other Asian countries. Korindo's main, though not exclusive international trader is Belgium based Fepco. It also trades Korindo's plywood under its own brand names (eg. "Fepcoplex"). Some of the largest European gross retailers of building materials—like the St. Gobain Group and Pinault Bois Matériaux⁶⁴ of France, and PontMeyer of the Netherlands—are regular distributors of Korindo plywood. Korindo also uses plywood as flooring in containers built by its subsidiary PT Aspex Kumbong, claiming on their web-site⁶⁵ to supply all major international shipping lines, including Maersk Sealand, Hapag Lloyd, P&O Nedloyd, Hanjin Shipping, MOL and many others.

PAPUAN MERBAU AND THE TIMBER MAFIA



<http://www.eia-international.org/cgi/reports/reports.cgi?t=template&a=93>

Indonesia's illegal logging issues are compounded by organised crime syndicates who extract species in high demand in consumer countries. One such problem was exposed in 2005 through the work of the Environmental Investigation Agency and Telapak in their ground breaking report "The Last Frontier"⁶⁶.

This report documented massive timber theft of Merbau from Papua's forests, and the organised networks throughout South East Asia that delivered this product to China's flooring industry, and the rest of the world. The release of this report led to a government crack down against illegal logging in Papua. However there is still Merbau leaving the country in significant quantities. There are also

indications that the timber mafia has reorganised in order to log the forest and produce flooring in Indonesia, thus working around the log and sawn timber export ban in place in Indonesia.

ASIA PULP & PAPER (APP)

APP, part of the Sinar Mas Group, is Indonesia's largest pulp and paper producer⁶⁷. With two pulp mills in Sumatra, Indah Kiat Pulp and Paper (IKPP) and Lontar Papyrus, it is by far the dominant player in this industry, accounting for 45% of Indonesia's total pulp capacity⁶⁸.

Much of APP's timber supply comes from illegal and destructive sources. While the Indonesian government has granted the industry more than 4 million ha of forest concessions for conversion into pulpwood plantations in the late 1980s, at least 70% of the timber is supplied by clearing natural forest⁶⁹. The conversion concessions are not being used to establish a future source of pulpwood, but to gain access to cheap raw materials from clear-felling natural forests.⁷⁰ By 1999, over 80% of the timber used by APP's largest mill, IKPP came from clearing natural forests, most of this from their own forest conversion concessions⁷¹. While the company claims its supply will be 100% plantation timber by 2007, independent experts believe this figure will not be much higher than 50%.⁷² With APP's own concessions now being increasingly exhausted, the company will have to rely heavily on third party suppliers, running high risks of purchasing from illegal operations.

APP already has an extensive record of using illegal timber.⁷³ In 2003, WWF Indonesia hired Lembaga Ekolabel Indonesia (LEI), an Indonesian-based certification body, to carry out inspections on APP's timber supplies.⁷⁴ The team discovered:

"that nearly half of the timber going to APP's largest mill, Indah Kiat, came from concessions whose land clearance permits could not be verified. They also found that APP had redrawn the boundaries of one concession to include part of a national game reserve. In two concessions there was no logging at all. The inspection team assumed that these were being used as 'phantom' concessions to launder timber from elsewhere."

New cases are being added constantly: In 2005, the Riau based NGO, Eyes on the Forest, reported numerous cases of illegal logs being supplied to

APP's Indah Kiat mill, including logs felled without permit from the Libu and Senepis block in Riau province—two areas identified by WWF in 2003 as having potential high conservation value (HCVF).⁷⁵

In addition, APP's own logging operations, managed mainly via their subsidiary PT Arara Abadi, are not adhering to the law. Much of their concession covers peat forests, with a peat depth of more than 3 meters⁷⁶. According to a Presidential Decree (number 32/1990), these are designated as peat-land conservation areas and must not be converted. Logging on peat land and illegal land clearing by burning, gives rise to vast forest fires, which annually cause massive destruction in Indonesia. In 2005, more than 40% of the fire hot spots in Riau province were in APP and their partner's concessions and in forests of high conservation value, that the company claims to protect. So far, this has not had legal consequences for APP or their suppliers. Cases filed against the companies after the disastrous fires of 2003 have been rejected by the provincial court of Pekanbaru.⁷⁷

The pulp produced by APP's mills in Sumatra, is mainly used in their Indonesian and Chinese paper mills. Their products range from tissue, stationary and copy paper, luxury bags and even Christmas cards. These products find their way onto the shelves of many industrial countries, like Japan, Australia, the EU and the United States either directly from Indonesia or, increasingly, via mills in China.



Pulp logs being transferred from a barge into trucks at PT Arara Abadi log pond ©Greenpeace



Pulp logs being loaded from an APP Concession ©Greenpeace

WHAT GOVERNMENTS MUST DO

While the original 2001 FLEG Bali Declaration promised much (including swift action on the problem and another ministerial in 2003), little has actually been achieved.

In order to ensure the effectiveness of the East Asia FLEG process Greenpeace believes that measures should be adopted in the immediate short-term. In conjunction with the injection of increased financial, human and technical resources by consumer countries and donor organisations, medium-term measures and solutions should be developed and implemented. As part of this process it is essential that concrete timelines and targets are developed in order to monitor the speed and success of the implementation of these badly needed measures. Time is running out for the ancient forests of Asia and the Pacific and an ambitious programme with real targets and deadlines is vital.

IMMEDIATE STEPS

- Adopt a strong definition of Legality
- Government Procurement Policies
- Designate official Ports for import/export
- Transparency & Access to Data
- Harmonise customs data & codes
- Legislation to Ban Imports of Illegal timber
- Civil Society Involvement

NEXT STEPS

- Strong Licensing Scheme with Independent Verification and Monitoring
- Wide Product Coverage in Enforcement Measures
- Stringent Enforcement Mechanisms & Transparency
- Establish a Specialised Enforcement Unit
- Develop a centralised monitoring system
- Develop a centralised data system
- Technology to identify and tag timber products
- Adopt a Strong chain of custody system
- Prior notification and disclosure system
- Support and promote the development of a multilateral legal Agreement on forest trade

GREENPEACE RECOMMENDS THE FOLLOWING MEASURES BE ADOPTED BY TIMBER EXPORTING AND IMPORTING COUNTRIES:

IMMEDIATE STEPS

ADOPT A STRONG DEFINITION OF LEGALITY

Due to variance in different jurisdictions there is no clarity in the definition of illegal timber. It is key that agreements under the FLEG processes, as well as forthcoming legislation and regulations, ensure legality and sustainability in the forest sector by establishing a baseline definition and criteria for “legal” timber and timber products. This will assist in addressing illegal exports and imports and the laundering of illegal timber products through “third party” countries.

This definition of legality must include the following criteria:

- Tenure and user rights
- Forest management plans
- Indigenous Peoples Rights
- Workers Rights
- Payment of fees and taxes
- Exclusion of conflict wood
- Clear identification of timber
- Compliance with international agreements and laws
- Verification by an independent body

GOVERNMENT PROCUREMENT POLICIES

Governments should ensure their timber buying policies address the proliferation of illegal timber. It is therefore important for governments to implement an environmentally

sustainable procurement policy for timber and timber products. In particular they should only purchase certified timber products and promote responsible forest management. Public expenditure should be used as an incentive to promote the best practices and the best existing standard and labelling, such as the Forest Stewardship Council (FSC) certification scheme or equivalent, guaranteeing that timber products come from legal and responsibly managed forests.

DESIGNATE OFFICIAL PORTS FOR IMPORT/EXPORT

In order to facilitate the work of enforcement agencies to monitor the trade in illegal timber products, it is necessary to officially designate certain major ports through which timber and timber products imports, exports or transshipment are exclusively allowed to pass through. Any forest products entering/leaving the country through other ports would be classified illegal. Restricting the points where timber and timber products are legally allowed to enter the country will greatly improve effective customs enforcement.

TRANSPARENCY & ACCESS TO DATA

To promote transparency in the forest sector it is essential to have open access to all legislation, rules and regulations, and timber trade data, including a list of legally authorised concessions, concession maps, details of concession



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companies, cutting licenses and transport permits and annual quotas. Governments and industry should disclose and disseminate this information widely- either through national publication and/or through a "clearing house mechanism"- such as an electronic portal/website which ensures that all stakeholders have access to relevant information and technologies. There should also be a transparent bidding process for forest concessions. Allocation of processing licenses should be restricted in order to reduce over-capacity.

HARMONISE CUSTOMS DATA & CODES

In order to overcome difficulties in identifying tree species for trade, it will be important to develop a global (and at minimum regional) standard of nomenclature, classification and codes. Currently there is no common system to identify timber exports and imports, which is a significant barrier to trying to control the international trade. Often the same species is called a number of different names depending on the country of origin.

LEGISLATION TO BAN IMPORTS OF ILLEGAL TIMBER

The closure of markets to illegal as well as unsustainable products will require the introduction of comprehensive legislation to make it a crime to import all illegally sourced timber and forest products into consumer countries. Legislation to ban the importation of illegal timber cannot wait. It is necessary to ensure the sanctioning of trade in these products. In particular it is necessary to sanction not only products that have been shown to transgress the criteria for legality, but also those products where it is not able to prove the legality. This will require significant international cooperation- as bilateral and voluntary approaches often make it easy to evade regulation by trans-shipping through 3rd countries. A multilateral, legally binding agreement would avoid this problem of 3rd country diversion. In the meantime producer countries in the East Asia FLEG process should encourage consumer countries to recognise their joint responsibility in forest destruction by adopting legislation that bans imports of illegal timber entering their countries.

CIVIL SOCIETY INVOLVEMENT

The success of measures to combat illegal logging will be dependent on civil society involvement. Therefore it is essential that an open, transparent and participatory process is established and institutionalised within the FLEG processes for policy decision-making and reform. With the recent adoption of measures by the EU to combat illegal logging in October 2005, countries will now be able to negotiate bilateral voluntary agreements between the EU and producer countries. These agreements will commit the producer country to a programme of activities and milestones to tackle the weaknesses in forest sector governance, contributing to socially and ecologically responsible forest management. In order for these agreements to be legitimate, civil society must be involved in the negotiations and implementation of these partnership agreements- both in consumer and producer countries. It is also essential for civil society's active involvement in the process of reviewing a country's forest related laws to identify weaknesses and injustices and, where necessary, the development of proposals for change.

NEXT STEPS

STRONG LICENSING SCHEME WITH INDEPENDENT VERIFICATION AND MONITORING

It will be important for countries to develop a strong licensing scheme to guarantee the legality and sustainability of timber and wood products. A legally binding licensing scheme with partner countries is a key part of the recently agreed European Union (EU) regulation to ensure that only legal timber is imported into the EU. It is essential that all countries participating in the East Asia FLEG process (not only partner countries through the Voluntary Partnership Agreements or 'VPAs') develop a strong licensing scheme to verify the legality and sustainability of timber and forest products. This will reduce the current difficulties in tracking the timber trade, where often the processing of products occurs outside the producer country. These products are often shipped via Hong Kong, Taiwan, Singapore and China, where they are often not reported.

Strong criteria and requirements for guaranteeing legality must form the backbone of this licensing scheme. It must also be subject to independent monitoring, unannounced audits and continuous sampling. Timber and wood products must only be guaranteed legal if a credible independent body, separate from the government and licensing authority, has verified the legal compliance and security of the chain of custody. Chain of custody monitoring will be required at every stage of production, processing, export and import in order to guarantee this legality.

WIDE PRODUCT COVERAGE IN ENFORCEMENT MEASURES

Illegality in the trade of forest products occurs not only in logs and sawn timber, but also in a full range of wood products. The list of products to which the current EU Forest Law Enforcement Governance and Trade (FLEGT) licensing scheme applies to is currently limited to plywood, logs and sawn timber. However, in order to effectively combat illegal trade in timber and wood products the licensing scheme must cover the whole chain of wood processing, including furniture and multiple sourced wood products, such as paper and paper pulp.

STRINGENT ENFORCEMENT MECHANISMS & TRANSPARENCY

Increased cooperation regionally and internationally between enforcement and customs agencies needs to be more effective to curb illegal logging. It is important to recognise that to develop a vigorous system, including undertaking a number of technical and legal and administrative reforms, will require capacity building and additional resources from donor countries.

ESTABLISH A SPECIALISED ENFORCEMENT UNIT

In order to promote enhanced enforcement and collaboration between consumer and producer countries, it will be necessary to establish a specialised enforcement unit within each country in order to help strengthen capacity, improve information exchange and the tracking of timber. In order to track timber and wood products, this specialised enforcement unit must therefore be provided with free and priority access to information/data and technical assistance. They must be assisted by all relevant agencies and authorities such as customs/port authorities, coastguard/maritime authorities, environment/forestry, trade and industry, tax and internal revenue authorities etc.

DEVELOP A CENTRALISED MONITORING SYSTEM

The success of enforcement and customs systems will depend on the transparent and independent auditing of these procedures. A centralised and transparent monitoring body should therefore coordinate these systems.

DEVELOP A CENTRALISED DATA SYSTEM

In order to facilitate the work of enforcement units it will be necessary to develop a centralised system of data, which will be managed by a centralised body. Currently, no such system exists for customs officials to collect and exchange data. This seriously impedes the effective tracking of timber and wood products. Therefore an open and transparent electronic data gathering and recording system should be set up to facilitate the sharing of the information. The systematic collection of data should also include input from NGOs and civil society.

TECHNOLOGY TO IDENTIFY AND TAG TIMBER PRODUCTS

It is necessary for permits or identifying documentation to accompany traded goods, however, paper-based certificates are often prone to fraud, falsification or theft. More sophisticated technology is required to avoid this counterfeiting. Alternatives to paper-based systems that are less vulnerable to fraud should be introduced- including more sophisticated technology such as barcodes, microchip implants, DNA chips, and tracer paints.

ADOPT A STRONG CHAIN OF CUSTODY SYSTEM

Efficient identification and documentation of logs throughout the whole chain of custody process will facilitate identifying the level of illegal goods entering the market. If information is made available, such as the capacity of a mill, then it is relatively easy to calculate the amount of legal material entering the system, and also, if a company is introducing illegal timber into the system.

PRIOR NOTIFICATION AND DISCLOSURE SYSTEM

Greater customs cooperation is necessary in order to facilitate the timely exchange of information. In particular customs officials should set up a new mechanism (through this centralised body) a system to give pre-arrival notification of large volume shipments of legally identified timber and wood products which are en-route to different countries. If a timber or wood product shipment arrives without prior notification then these goods should be treated with dubious status.

SUPPORT AND PROMOTE THE DEVELOPMENT OF A MULTILATERAL LEGAL AGREEMENT ON FOREST TRADE

There is currently no international framework that will oversee the development and operation of a legality identification system. In order to ensure a consistent and effective system, it is necessary to develop a multilateral agreement, to improve international collaboration on fighting illegal logging, as well as promoting data exchange and enforcement. This legally binding agreement should be developed under the Convention on Biological Diversity.

In international standards language 'should' means a recommendation, 'shall' means mandatory.

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