

Forest Crime: EU enlargement programme fuels the destruction of Indonesia's last rainforests

Greenpeace calls on EU to stop imports of illegal timber

May 2004

'As a purchaser of timber products, you have the power to make a conscious decision of, from whom, and from where, you source your products. By buying timber sourced from Indonesia you are facilitating the destruction of our rainforests and national parks.'

Nabiel Makarim, Indonesian Minister for the Environment¹

'The Commission attaches great [importance] to the requirement to ensure that timber is provided from environmentally sustainable sources, and now has in place arrangements to ensure that this requirement is respected'

Neil Kinnock, Vice President of the EU Commission²

Overview

Ancient forests around the world are in crisis. The trade in timber from illegal and destructive logging continues to drive forest destruction in many areas critical to the survival of endangered species, and for the livelihood of forest dependent people. Illegal logging is linked to corruption, organised crime and human rights abuses. It also cuts the tax income of producer countries whose resources could be used to finance key public services.

Indonesia is a prime example. The World Bank estimates that the lowland rainforests of Kalimantan and Sumatra, home to critically endangered species such as the orang-utan and the Sumatran tiger, will be wiped out by 2010. It has been calculated that the Indonesian government loses the equivalent of US\$6,700 every minute due to illegal logging.³ International media, political and industry attention has so far done little to change the reality on the ground, where logging is out of control. Political corruption in Indonesia means that timber barons continue to operate with impunity, whilst unscrupulous traders in parts of Europe continue to purchase cheap plywood products that are the product of illegal and destructive logging.

Despite its repeated international commitments at the G8, in Johannesburg and at the recent Convention on Biodiversity, the European Union still has no comprehensive approach to tackling the trade in illegal timber.

The European Commission is currently working on a set of measures that aims to implement a European action plan, known as Forest Law Enforcement, Governance and Trade (FLEGT). However, rather than prioritising new legislation to outlaw the imports of all illegal timber and wood products, the Commission is focussing primarily on the implementation of a voluntary licensing scheme through voluntary partnerships with wood-producing countries. The Commission admits that, as a result, large volumes of illegally sourced timber and wood products will continue to enter the EU from countries without such agreements.

Greenpeace believes that, in order to end forest destruction and help alleviate poverty in vulnerable regions, the Commission must look beyond voluntary agreements, to binding legislation which will close the EU market to all illegal timber and forest products.

The action plan also fails to tackle the EU's own timber sourcing. The Commission draws Member States' attention to the role that their timber buying can play, stating that *'illegal logging can be addressed through*

¹ Speech at WSSD, September 2002

² 16th March 2004, parliamentary answer, P-0283/04EN

³ Harwell, 2003, citing Arnoldo Contreras-Hermosila, 'Law compliance in the forest sector: an overview' Working Paper 3720 for the World Bank, 2002

the adoption of procurement policies.⁴ However, new Greenpeace research has revealed that the EU institutions themselves are fuelling the illegal timber trade through the building and refurbishment programme that has accompanied EU enlargement.

The forests and biodiversity of Indonesia

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

World Bank, 2001⁵

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. The country 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.⁶ 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 1990s. World Bank analysis at the end of that period put the annual rate of loss at two million hectares; with increased political instability in recent years, the pace is thought to have increased, with 2.5 million hectares lost per year being commonly cited – the Indonesian Forestry Department itself suggested in 2003 that this forest loss may have reached 3.8 million hectares in 2000.⁷ It is estimated that nearly 90% of all logging in Indonesia is illegal.⁸ The World Bank estimates that the Indonesian Government loses the equivalent of US\$6,700 every minute, due to illegal logging.⁹

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

Timber procurement within the EU

Public procurement spending in the EU runs into hundreds of millions of euros annually, and accounts for approximately 16% of the EU's Gross Domestic Product. There is little evidence that the EU has taken a comprehensive approach to ensuring that the money it spends takes into account the objectives of sustainable development, particularly in regard to timber. Unlike in a number of member states, no guidance has been issued to EU institutions asking them to ensure that timber products are purchased from legal and sustainable sources.

To adjust to the presence of ten new member states, the EU is undertaking a number of major construction projects in Brussels. Focusing on projects at the heart of this expansion programme, Greenpeace investigations have shown how the EU institutions are committing a forest crime, by purchasing timber products from Indonesia that are the product of illegal and destructive logging.

⁴ The Commissions proposals can be viewed at

http://europa.eu.int/eur-lex/en/com/cnc/2003/com2003_0251en01.pdf

⁵ World Bank Report, Indonesia: Environment and Natural Resource Management in a Time of Transition, Washington DC.

⁶ Uma Lele, Managing Global Resources: Challenges of Forest Conservation and Development, World Bank series on Evaluation and Development, Vol 5, 2001

⁷ see Greenpeace (2003) *Partners in crime: a Greenpeace investigation of the links between the UK and Indonesia's timber barons* endnotes 21-23 for fuller reference; source for GoI figure: Sustainable Forest Management as the Basis for Improving the Role of the Forestry Sector, Pak Boen M. Purnama, Department of Forestry, 2003.

⁸ See pg 9 of Greenpeace, 'Partners in Crime', June 2003

⁹ Harwell, 2003, citing Arnoldo Contreras-Hermosila, 'Law compliance in the forest sector: an overview' Working Paper 3720 for the World Bank, 2002

The Berlaymont building

'Safeguards are in place to ensure that buildings procured by the Commission do not contain timbers from illegal sources...in circumstances where the Commission can influence the market in respect of buildings it is likely to acquire, such as the renovation of the Berlaymont, it makes an explicit requirement to the developer to procure timber only from sustainable sources'

Neil Kinnock, 19 June 2003, parliamentary answer

The Berlaymont building is the home of the European Union and was bought outright by the Commission in 2002, at a price of €553 million.¹⁰

The building is finally reaching the end of a major refurbishment project that has run some six years behind schedule. When completed it will cover more than 230,000 square metres and house 2,700 officials.

The Commission has made attempts to ensure that the timber used in the Berlaymont building has come from well-managed forests. A number of Forest Stewardship Council (FSC) products have been specified, including for some panelling, and laminated beams. Contracts issued have included a clause that materials used during the refurbishment should be *'certified from a renewable and ecologically well managed source'*.¹¹

However, in site visits between February and March 2004, Greenpeace discovered that these contract clauses are not being adhered to. Uncertified Indonesian rainforest plywood, primarily used for walling, has been found, supplied by the following companies:

AFR – shown to be obtaining illegal timber from a protected tiger refuge in Sumatra
Korindo – proven to be using illegal timber in Kalimantan in investigations by the Indonesian Government
Mujur – illegal logging in western Sumatra, concession in the civil war-torn Aceh province
Tjipta – receiving timber from the last rainforests of Sumatra

The EU Economic and Social Committee (ESC) / Committee of the Regions (CoR)

In the heart of the EU Quarter, less than one minutes walk from EU parliament, 97 rue Belliard is undergoing the final stages of a €54.5 million refurbishment as part of the EU's enlargement.¹² The building, previously leased by the European Parliament, will be the new home for two advisory committees to the Commission, Council and Parliament. The Committee of the Regions (CoR),¹³ created by the Maastricht treaty, advises the Commission and Council on how policies will impact on a local level around the EU, whilst the Economic and Social Committee (ESC)¹⁴ focuses on consulting with economic and social groups across a range of EU issues.

The building is owned by Cofinimmo and is leased to the ESC/ CoR with an option for future purchase. Cofinimmo's 'Code of Good Conduct' states that the company *'systematically incorporates health, safety and environmental aspects in all its endeavours'*.¹⁵ The construction project has been overseen, according to the ESC, by 'eco-architect' Pierre Lallemand and is described as *'a splash of green on rue Belliard'*.¹⁶

Greenpeace has found no evidence of efforts being made to ensure that timber used comes from legal and sustainable sources. Greenpeace investigations during February–April discovered Indonesian rainforest plywood, supplied by the following companies:

RSK – used for wall panelling, producing more than twice the plywood it is legally allowed
Mujur – use unknown, illegal logging in western Sumatra, concession in the civil war-torn Aceh province
AFR – used in flooring, shown to be obtaining illegal timber from a protected tiger refuge in Sumatra

¹⁰ www.euobserver.com/index.phtml?aid=8113

¹¹ www.berlaymont2000.com/index-3.htm

¹² from the website of project architects, www.artbuild.be

¹³ www.cor.eu.int/en/pres/pres_rol.html

¹⁴ www.esc.eu.int/pages/en/org/pla_EN.pdf

¹⁵ www.cofinimmo.com/assets/C010-P001/About/Code%20conduite%20UK.pdf

¹⁶ EESC info, newsletter, pg 2, February 2004

IKMM – used for flooring, steps, access ramps, around windows and for footrests within the building; logging in the last rainforests of Kalimantan

Indonesian companies supplying rainforest plywood

Raja Garuda Mas Group

RGM is one of the largest conglomerates in the Asia Pacific region with assets in excess of US\$4.5 billion and a workforce of more than 56,000. RGM group companies are involved in forestry and wood manufacturing, palm oil plantations and processing, pulp and paper, rayon and coal. RGM runs operations in Indonesia, Malaysia, India and China.¹⁷

Asia Forestama Raya (AFR) is a subsidiary of RGM and operates two mills in Sumatra. In the last year for which figures were available, both mills were illegally operating above their permitted production; under Indonesian law, they should be closed.

Investigations in 2003 by the Dutch based campaign group Milieudefensie revealed that AFR has been accepting illegal timber from two nature reserves in Sumatra – Tahura Minas, near Pekanbaru (the Riau Elephant centre) and the Giam Siak Kecil wildlife refuge.¹⁸ Giam Siak Kecil is a 50,000 hectare reserve that is home to the critically endangered Sumatran tiger. A new report estimates that there are only 400-500 left in the wild.¹⁹

On a timber concession supplying the group, complaints have been made to the Forestry Ministry about illegal logging. In March 2003, the Indonesian Community for Forest Reform lodged a complaint regarding PT Nanjak Makmur, a concession in northern Sumatra that supplies AFR. Illegalities found included logging outside of concession boundaries, logging without permits, non-payment of taxes and lack of compensation to local population.²⁰

The timber concessions that supply AFR (Nanjak Makmur and Hutani Sola Lestari) are within Tesso Nilo, a forest area estimated to contain the greatest diversity of species in the world.²¹

Korindo

Korindo owns a number of mills in Indonesia, which obtain timber from the country's last rainforests. Of its six largest mills, half have illegally exceeded their permitted production and should be closed under Indonesian law. All six have continued to buy timber from district licensed land clearance permits, despite this practice being outlawed by the Government in 2002.

The group's Ariabima Sari mill has been shown by the Indonesian Government to be using illegal timber. During 2002/3 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 barons known to be logging illegally in Tanjung Puting National Park.²² Korindo has also been buying logs from Muslim Halim, another company involved in the illegal logging of Tanjung Puting national park.

Tanjung Puting 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 wild by 2025 if current rates of deforestation continue.²³ Some 45% of Tanjung Puting park has already been damaged.²⁴ Vast tracts have been fragmented by illegal infrastructure of log rails, logging camps, roads, canals and log ponds.

¹⁷ Carr, Frances, 2001. Down to Earth, Nov. 2000, Updated Jan 2001. Indorayon's Last Gasp?; Draffan, G. Corporate Profile: Raja Garuda Mas. www.endgame.org.

¹⁸ Pages 20-26, 'Suspect timber from Indonesia', Milieudefensie, 2003 www.milieudefensie.nl/foenl/publicaties.htm

¹⁹ www.panda.org/about_wwf/what_we_do/species/news/news.cfm?uNewsID=11930

²⁰ Milieudefensie, op cit

²¹ <http://edition.cnn.com/2002/WORLD/asiapcf/southeast/02/05/indonesia.forest/>

²² see for example www.eia-international.org/cgi/reports/report-files/media66-1.pdf

²³ 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

²⁴ Saving pongo, Tempo Magazine, 23 February 2004

Rimba Sunkyong

RSK operates a mill for sawn timber and plywood in Sumatra. The forests of Western Sumatra, once home to tigers, rhino, gibbons, elephants and thousands of plant species, have been severely depleted.²⁵ The mill has continued to buy timber from district licensed land clearance permits, despite this practice being outlawed by the Indonesian Government in 2002. RSK has illegally exceeded its permitted plywood production by over 200% and under Indonesian law, its mill should be closed.

Mujur

Mujur is based in Medan, northern Sumatra and has concessions in Northern Sumatra, western Sumatra and the war torn Aceh province. The company continues to supply a number of EU countries, including Belgium and the UK.

Mujur gets 50% of its timber from its own concessions. Investigations by NGOs and the World Bank have found that all of these have been operating illegally in recent years. Illegalities have included logging outside of concession areas, logging in buffer zones, and logging within Sumatra's Kerinci Sebelat National Park. Aceh, where one of Mujur's concessions is located, has had a logging ban in place since 2001; logging reportedly continues within the province and there is no information available on Mujur's operations. The other 50% of Mujur's timber comes from the open market and is therefore of dubious legality.

Mujur has been linked to social conflict. In the Alas Aceh Perkasa concession, located in one of the largest orang-utan sanctuaries remaining in Sumatra, neighbouring villages threatened to burn down the base camp unless steps were taken to ensure local welfare. A team from The Nature Conservancy was sent to the concession in 1999. All four members of the team were murdered.

IKMM

IKMM is known in Indonesia as Meranti Mustika. The company is comparatively small. It operates a single timber concession in Central Kalimantan and sources timber from this and two other concessions, both part of the Kayu Mas group. A World Bank report estimates that the lowland forests of Kalimantan will be destroyed by 2010.

Tjipta

The Tjipta group operates from Medan, Sumatra and does not have access to its own timber concessions. Consequently, the company continues to buy from third parties on the open market and its timber is therefore of dubious legality. Its European agent, CIPTA, has been unable to provide evidence of long-term approved sources of timber supply. Tragically, Sumatra's lowland rainforests are expected to be gone within five years as logging, and then deliberate fires, ravage them.²⁶

European 'FLEGT' action plan

In May 2003, after years of reflection, the European Commission launched the FLEGT action plan,²⁷ which aims to combat the illegal timber trade.

The Agriculture Council of the EU endorsed the action plan in October 2003. Ministers asked the Commission to review the options for, and the feasibility of, further legislation to control imports of illegally harvested timber.

²⁵ Barber, C., E. Matthews, D. Brown, T. Brown, L. Curran, C. Plume, 2002. *State of the Forest: Indonesia*. Bogor, Indonesia: Forest Watch Indonesia and Washington DC: Global Forest Watch.

²⁶ Eric Wikramanayake, Eric Dinerstein, Colby J. Loucks, David M. Olson, John Morrison, John Lamoreaux, et al. 2002. *Terrestrial Ecoregions of the Indo-Pacific: A Conservation Assessment*. Washington, DC: Island Press; Agence France Press, February 11, 2002. Environment groups warn of forest destruction by Indonesia pulp firms; Inside Indonesia, Jan-March 2001. Suharto's Fires: Suharto Cronies Control an ASEAN-wide oil palm industry with an appalling environmental record. By George Aditjondro.

²⁷ Communication from the European Commission to the Council and the European Parliament : FLEGT (Forest Law Enforcement, Governance and Trade) – Proposal for an EU Action Plan, 21/05/2003 : http://europa.eu.int/eur-lex/en/com/cnc/2003/com2003_0251en01.pdf

In January 2004, the EU Parliamentary Industry and Trade Committee (ITRE) requested that the Commission draft legislation to prohibit the import and marketing of all illegally-sourced forest products, and that it report back by June 2004.

The European Commission is currently preparing a series of measures to implement the plan. However, rather than prioritising new legislation to outlaw such imports, its approach focuses primarily on voluntary agreements with producer countries combined with the implementation of a voluntary licensing scheme to certify the legality of imported wood products. The European Commission admits that such a voluntary approach will affect only a limited number of timber producing countries, and that as a result large volumes of illegally-sourced timber and wood products will continue to enter the EU from countries without such agreements.

Although the EU also envisages possible legislative measures in addition, these remain hypothetical, no deadlines have been fixed, and the Commission says its decision will depend '*on the feasibility and nature of the options identified*'.

A new Communication on FLEGT is expected from the Commission before the summer. Before then, EU environment ministers meeting in Ireland (Waterford) from 14 to 16 May will discuss the '*sustainable use of natural resources*'. Greenpeace urges Environment Ministers to include FLEGT in these discussions.

Greenpeace Call to Action

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. Greenpeace therefore calls on:

- The EU to fulfil its international commitments, and waste no time in prioritising the adoption of a new law to prohibit the import of all illegal forest products into Europe. Such a law should allow for the competent authorities to take judicial action and bring heavy sanctions against individuals and companies involved in the illegal trade.
- The EU institutions and Member States, within the FLEGT framework, to commit to "green" their timber procurement with legal and sustainable criteria, so that they can finally stop fuelling illegal and destructive logging activities with public money.
- The EU and Member States to immediately implement and enforce existing national and European legislation on bribery and money laundering, as illegal logging is regularly linked to these activities.
- EU Member States to build support for the negotiation of bilateral and regional agreements with timber-producing regions (in Asia, Africa, Latin America, Russia). These are a key step in the fight against illegal and destructive logging. The negotiations of these agreements should bring together all interested parties in producer and consumer countries, in order that solutions developed for responsible forest management favour first and foremost the forest communities themselves.

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.greenpeace.org/illegal-logging

ENDS