

Kayu Lapis Indonesia

the untouchable God of Indonesian
ancient forest destruction

GREENPEACE
**PROTECTING
ANCIENT FORESTS**


Logs felled in a concession operated by Kayu Lapis Indonesia group. © Greenpeace 2006

Deforestation rates in Indonesia are among the highest in the world. Estimates have ranged between 1.9 million hectares (ha) per year in the last five years (2000-2005), according to FAO¹ calculations² and 2.8 million ha per year, as recently stated by Indonesia's Minister of Forestry, Malam Sambat Kaban³.

In total, Indonesia has already lost more than 72% of its large intact ancient forest areas⁴ and 40% of its forest completely⁵. Large scale industrial logging and countless illegal logging operations are responsible for this problem.

According to official figures, illegal logging was estimated to supply 76% of Indonesia's timber consumption in 2004.⁶ This figure, however, did not account for logs being illegally smuggled to China, Malaysia and elsewhere. This practice, rampant in 2004 and still ongoing today (despite tougher law enforcement), would push the level of illegal logging to as high as 80%.

Illegal logging has a long history in Indonesia. The government recognises the lack of governance and the high level of illegal logging as a major obstacle to managing its timber resources responsibly.⁷

Forest Minister Malam Sambat Kaban believes the high deforestation rate is defrauding the public purse of some Rp 41 trillion (about US\$4 billion) each year.⁸

Central to this problem are some of Indonesia's largest timber companies, such as Kayu Lapis Indonesia, which operate with total disregard of Indonesia's logging laws. Companies like this are destroying Indonesia's ancient forests at an alarming rate.

¹ FAO's definition of "forest loss" is when canopy cover is less than 10%. In a tropical forest this may mean only 7 trees on the area the size of a football field.

² FAO, 2005, Global Forest Resources Assessment 2005

³ 10 regents in Kalimantan prosecuted for illegal logging, *The Jakarta Post*, 5th December 2005

⁴ Greenpeace International 2006, Roadmap to Recovery

⁵ FAO, Global Forest Resources Assessment 2005; FWI/GFW, 2002, The State of the Forest: Indonesia, Bogor, Indonesia; Forest Watch Indonesia, and Washington DC: Global Forest Watch

⁶ Forest Futures Scenario Analysis, NRM-Bappenas-MFP, Jakarta, October 2004

⁷ See for example: Around 1.6-2.8 MLN Ha of Indonesian Forests Cut Down Annually, Asia Pulse, 21 October 2005, <http://www.antara.co.id/en/eenws/?id=6923>

⁸ 10 regents in Kalimantan prosecuted for illegal logging, *The Jakarta Post*, 5th December 2005



Intact forests of Sorong, Papua, Indonesia. © Greenpeace 2006

Ancient Forests

Ancient forests are one of the planet's vital, natural resources. Thousands of years old, they are primary and old growth forests found in a variety of climates from temperate to tropical regions of the world. Not only do ancient forests harbour around two-thirds of the world's land-based species of plants and animals,⁹ they also regulate critical environmental systems that support life on Earth, such as the climate.

But these magnificent ancient forests are under threat from illegal and destructive logging, clearance for industrial scale agriculture such as palm oil and soy plantations, and man-made forest fires.

Today, only 20% of the world's original ancient forests remain in large tracts.¹⁰ Some of the ancient forests under greatest threat are the 'Paradise Forests'. These stretch from South East Asia, across the islands of Indonesia, on to Papua New Guinea and the Solomon Islands in the Pacific. This wonderfully diverse region supports hundreds of indigenous cultures and creatures found nowhere else in the world.

Kayu Lapis Indonesia (KLI) is one of the major logging concession holders and timber processing companies in these forests. This company has been repeatedly involved in illegal logging activities. It is responsible for destroying some of the last ancient forests in Papua and Kalimantan.



*A loader piles logs off Biak Island, Papua, Indonesia.
© Greenpeace 2006*

⁹ World Resources Institute, 2000.

¹⁰ WRI 1997, The Last Frontier Forests



The Untouchable God - Kayu Lapis Indonesia

“Colloquially, KLI is known as one of the untouchable ‘three gods’ (tiga dewa) of industry in Central Java, holding immense political and economic influence.” -- Indonesian Center for Environmental Law (ICEL)¹¹

Kayu Lapis Indonesia is one of the largest logging and timber processing companies in Indonesia. It employs 6,500 people¹² and is based in Jakarta.

KLI operates two major plywood mills, one in Java (PT Kayu Lapis Indonesia) and one in Papua (PT Henrison Iriana). Both mills account for almost 10% of Indonesia’s capacity for plywood production¹³. Together with Sumitomo Forest Industries of Japan, KLI also operates the fibreboard mill PT Rimba Partikel Indonesia, located at its plywood mill in Java. The wood for these mills is supplied partially by group-owned industrial logging concessions. The *Hak Pengusahaan Hutan* (HPH) or logging rights owned by these concessions totaled 1.7 million ha by the end of 2003, most of which (1.4 million ha) is located in Papua. They account for 23% of the province’s total concession area¹⁴.

When the infamous Djajanti group drastically reduced its activity in Papua, KLI became the largest concession holder in this largely pristine province.



A Kayu Lapis Indonesia ship prepares to be loaded with Merbau timber from Papua. © Greenpeace 2006

Kayu Lapis Indonesia and the Law

Right from the beginning, when KLI constructed its first plywood mill, (Indonesia’s largest) in Central Java, it showed a clear lack of interest in and respect for national laws. This case is well-documented by Nicholson (2005)¹⁵, who reports, that when KLI constructed the mill in the late 70s and early 80s, it broke several laws and regulations in the middle of an area classified as a fish farming zone. According to Nicholson, in order to construct a log pond, KLI redirected a river without environmental planning or authorisation, causing massive damage to local fishermen and farmers. KLI later refused compensation payments and reportedly hired “third parties (hired thugs) to intimidate local people instead”, while dividing local communities by “firing people from ‘hostile’ communities and replacing them from communities, that already accepted ‘good will payments’”.¹⁶

¹¹ Indonesian Center for Environmental Law (ICEL), “Laporan on Site Training, Semarang: ICEL, 1999, cited from: David Nicholson, 2005, Environmental Dispute Resolution in Indonesia, Ph.D. Thesis at the University of Leiden (NL)

¹² Dun & Bradstreet Credit Profile Kayu Lapis Indonesia, 16 March 2006

¹³ The KLI mill in Java has an installed plywood capacity of 504,000, the Henrison Iriana mill in Papua of 264,000 cubic metre (Apkindo Directory 2003). Indonesia’s installed capacity for plywood is 9.43 million cubic metre (MOF 2003, Statistik Kehutanan Indonesia 2002, Dephut. Jakarta)

¹⁴ Ministry of Forestry Indonesia, Distribution of Existing Forest Concessionaires by Provinces up to year 2004 and Data Perkembangan HPH Yang Telah Memperoleh SK. Definitif Sampai Bulan Desember 2003 (http://www.dephut.go.id/INFORMASI/PH/kemb_hph.htm)

¹⁵ David Nicholson, 2005, Environmental Dispute Resolution in Indonesia, Ph.D.thesis at the University of Leiden (NL)

¹⁶ David Nicholson, 2005, Environmental Dispute Resolution in Indonesia, Ph.D.thesis at the University of Leiden (NL)

Because no legal agreement was ever reached, the provincial government compensated local farmers for the damage inflicted by KLI's operation through goodwill payments of up to Rp 375 million (around US\$41,000) and through financing the rehabilitation of beaches.¹⁷ Meanwhile, KLI only paid Rp 125 million (around US\$14,000). Public taxes were used to compensate damage caused by a private, profitable company.

Despite owning major concessions in Papua and elsewhere in Indonesia, KLI relies heavily on third party suppliers. In 2001, the KLI mill in Java procured half of its timber needs from untraceable sources.¹⁸ This means the timber did not originate from recognised legal sources of timber like natural forest timber concessions (HPH) or natural forest areas authorised to be clear-felled for either industrial timber or agricultural plantations – both highly destructive, yet legal options. For KLI's Henrison Iriana mill in Sorong, Papua, dubious suppliers played an even more important role in recent years, with such sources supplying 53% of its timber in 2002, 74% in 2003 and 70% in 2004.¹⁹



Sign post indicates the boundary of PT Intimpura's concession in 2005. © Greenpeace 2006

Much of the untraceable sources from which KLI procured raw material for its two mills originated from illegal district-licensed logging permits (IPKMA), gazetted inside the National Forest Zone.

The issuance or extension of these permits was outlawed on March 1, 2002 by the Department of Forestry. They were also the main target of a 2005 law enforcement campaign, Operasi Hutan Lestari 2 (OHL-II), to combat illegal logging in Papua and other provinces. Due to their dubious sourcing practices, KLI was caught purchasing illegal logs in 2003, when a barge with 3000 cubic metres of logs heading for the KLI mill in Central Java was confiscated by the authorities in West Kalimantan.²⁰



Map of PT Intimpura's concession area for 2005.

© Greenpeace 2006

¹⁷ David Nicholson, 2005. Environmental Dispute Resolution in Indonesia, Ph.D. thesis at the University of Leiden (NL)

¹⁸ KLI mill submissions to the Department of Forestry

¹⁹ KLI mill submissions to the Department of Forestry

²⁰ Jaring Kayu Ilegal, Mantan Pejabat Kalbar Malah Jadi Tersangka, Sinar Harapan, April 19th 2004 (<http://www.sinarharapan.co.id/berita/0404/19/nus05.html>)

As recently as February 2006, Greenpeace investigators documented serious violations of forestry regulations by PT Intimpura Timber Co, a logging subsidiary of Kayu Lapis Indonesia, operating an industrial logging concession (HPH 30/Kpts-II/89) near the Henrison Iriana mill in Papua. PT Intimpura Timber Co is KLI's largest concession in Indonesia and is a major supplier to both its Papua based mill, Henrison Irian, and its Java based mill.²¹

Greenpeace found PT Intimpura unlawfully logging within the 50 metre buffer zones of small waterways, which is forbidden according to forestry regulations²² and leaving felled trees inside the stream. Small streams and rivers are often the only source of fresh water for local communities. Logging close to such rivers and pushing logs and soil into them leads to siltation and can cut off entire communities from this basic element of life. In one case documented by Greenpeace, a stream was completely blocked and had stopped flowing through the nearby village of Sayosa.



A tree felled by PT Intimpura within the 50 meter buffer zone of a small river. © Greenpeace 2006

Greenpeace also discovered that local communities were being cheated out of agreed royalties by PT Intimpura. Communities are only paid for logs actually removed from the forest. Greenpeace found that the company had abandoned about 500 logs in their concession, thus depriving the local community of agreed royalties. Payments for retrieved logs were also not met by the company, despite a clear contractual agreement between it and the community.²³

Ultimately, it does not make any difference to the community whether the logs are removed or not — they depend on the forest for their survival and cannot afford for it to be destroyed without any compensation.

In May 2004, there was a similar situation in another KLI concession operated by PT Risana Indah Forestindo (RIFI), close to the Papuan capital Jayapura. The local community in Kentuk asked the company to stop operating due to non-payments for using community land and for destroying their forest.²⁴



Kayu Lapis Indonesia has not paid the agreed royalties for abandoned logs inside a concession it operates, depriving the local community of income. © Greenpeace 2006

In Papua, logging operations, often protected by corrupt officers of Indonesia's police and armed forces, can lead to bloodshed. There are numerous reports of human rights violations and killings in direct relation to the protection of logging companies' interests.²⁵ 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.²⁶



²¹ Greenpeace field investigations

²² TVRI - Makin Dekat Di Hati, May 4th 2004 <http://www.tvri.co.id/beritadaerah/brada.php?id=1369&daerah=Papua>

²³ According to community members of the village of Sayosa, a PT. Intimpura employee came to the village on March 11th with a payment agreement for logs delivered to the mill, but not abandoned logs. This agreement was prepared by the company. The community said that no payment was actually made, and no copy of this agreement was left with the community

²⁴ TVRI - Makin Dekat Di Hati, May 4th 2004 <http://www.tvri.co.id/beritadaerah/brada.php?id=1369&daerah=Papua>

²⁵ UN Commission on Human Rights, 12 February, 2003. Report of the Special Rapporteur on extrajudicial, summary or arbitrary executions, E/CN.4/2003/3/Add.1; & Amnesty International, September 2002. Grave human rights violations in Wasior

²⁶ Amnesty International.S September, 2002. op. cit.

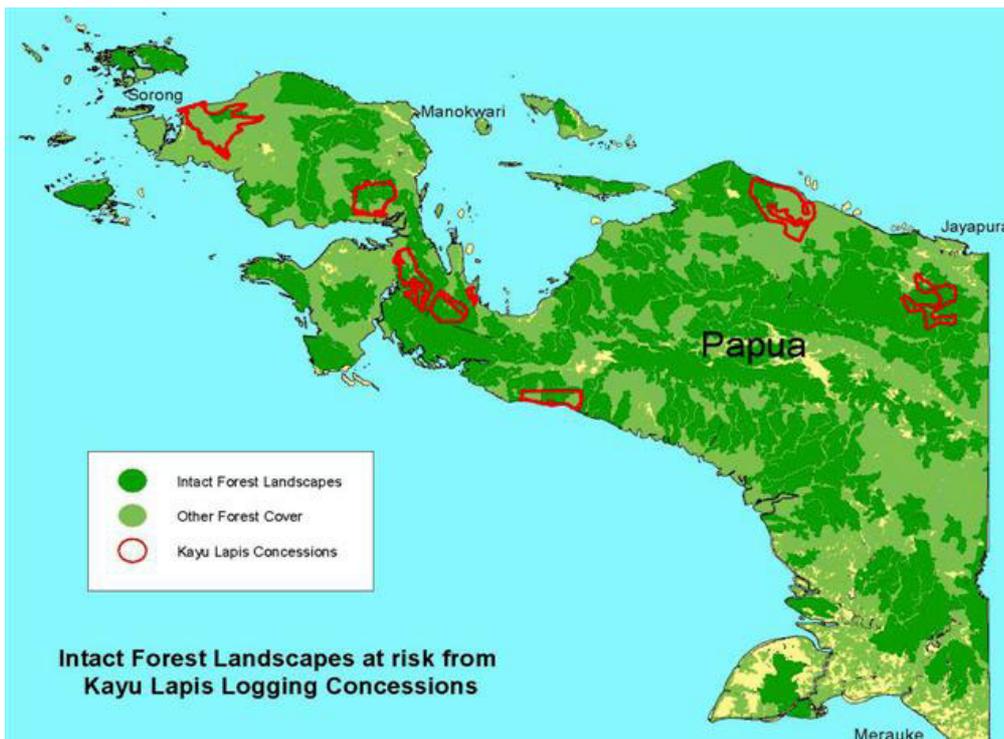


A pile of abandoned logs inside a concession operated by Kayu Lapis Indonesia. © Greenpeace 2006

Kayu Lapis Indonesia and ancient forest destruction

In March 2006, Greenpeace released new global maps, showing how little is left of the ancient forests that once covered much of the planet. Today, only 10% of the earth's land area is still covered by large intact ancient forests.

Industrial logging is the major threat to these remaining forests in most parts of the world, including Indonesia²⁷. With many Papuan forests containing high value timber trees such as Merbau (*Intsia spp.*), it is an enormous incentive for logging companies like Kayu Lapis Indonesia, that put their own short term profit before any considerations of environmentally or socially responsible logging practices. Using recent logging concession data for Papua, it can be seen that KLI's logging operations in Papua are mostly inside large intact ancient forest areas²⁸ (see map below). Where they are not, evidence from aerial documentation has shown that KLI's logging activities have degraded these former intact forest areas.



²⁷ WRI, the Last Frontier Forests 1997

²⁸ Greenpeace recently released high-resolution, satellite images of the world's forest areas. See: <http://www.greenpeace.org/international/press/releases/roadmap-to-recovery>

The market for destruction

KLI, like virtually all plywood producing companies in Indonesia, exports most of its products. Though in decline, cheap Meranti or Lauan plywood from Indonesia is still a standard product on the shelves of timber retailers in Japan, Europe, the US and most other industrial countries. Japan alone took over 2 million cubic metres of plywood, blockboard and other panel products in 2004, accounting for 41% of Indonesia's total exports for these products. China and the US took much of the rest, each importing more than 400,000 cubic metres or 8% of total exports.

Japan and the US are also major export markets for KLI's plywood. KLI's close relationship with the Japanese market is symbolised by its corporate logo, a stylised Mount Fuji.



In Japan, major trading houses like Sojitz²⁹, Sumisho & Mitsubussan Kenzai Co and Toyo Materia Co³⁰, are among KLI's clients. In the US and Canada their plywood is mostly imported by timber traders such as Argo Fine Imports (US), North Pacific (US), CANUSA Wood Products (Canada) and others³¹.



Plywood supplied to Toyo Materia in Nagoya, Japan by Kayu Lapis Indonesia. © Greenpeace 2005

Some larger manufactures also buy directly from Kayu Lapis Indonesia³². These include the Canadian company Okaply, which turns Meranti/Lauan plywood into furniture parts and vinyl covered panels for recreational vehicle interiors³³, and the Overseas Hardwoods Company (US), a supplier of truck flooring.³⁴ KLI's plywood is also sold in Europe by traders like Oldenboom and PontMeyer in the Netherlands.



The Dutch trader PontMeyer stocks plywood from various Indonesian suppliers, including Kayu Lapis Indonesia. © Greenpeace 2005



²⁹ Through their subsidiary Sun Building Materials Corp; Sojitz has been formed through the fusion of Nissho Iwai and Nichimen

³⁰ Toyo Materia was the entity formed through the recent merger of Tomen and Toyota Tsusho.

³¹ Greenpeace investigations

³² PIERS database

³³ See Okaply web-page: <http://www.okaply.com/index.php>

³⁴ PIERS database



Conclusions

Companies like Kayu Lapis Indonesia seriously threaten what remains of the Earth's last ancient forests. Only 10% of the world's land area is still covered by intact forest landscapes. What remains is under severe threat from the illegal and destructive logging practises of companies like KLI.

All of KLI's concessions in Papua encroach on and threaten intact forest landscapes. These areas of untouched ancient forests were mapped out in a recently released Greenpeace report.³⁵

Ancient forests, especially as large intact forest landscapes, play a vital role in the Earth's ecology. They stabilise the structure of the soil, helping to prevent erosion, silting of rivers and flooding. In mountainous areas they reduce the risk of landslides. Forests are the most bio-diverse land based ecosystems. Thousands of species are threatened with extinction if they are destroyed. Furthermore, forests serve as vast carbon reservoirs, storing carbon dioxide and playing an important role in the regulation of the Earth's climate.

It is estimated that 1.6 billion people worldwide depend on forests for their livelihood and 60 million indigenous people depend on forests for their subsistence³⁶.

Without control, companies such as Kayu Lapis will continue plundering the world's ancient forests, destroying cultural diversity, biodiversity, stealing from some of the world's poorest and most vulnerable people and degrading the environment upon which we all ultimately depend upon.

Developed countries, in their search for ever cheaper timber products are fuelling this drive for cheap timber and provide the financial incentive for robber barons to continue their destruction of the world's last ancient forests.

If no immediate action is taken to stop illegal and destructive logging practices, the future of Indonesia's forests is bleak.



³⁵ Greenpeace International, 2006, Roadmap to Recovery, The World's Last Intact Forest Landscapes

³⁶ World bank press release, Global Forum call to curb illegal logging and promote responsible forest investment. 23 October 2003.

Demands

Kayu Lapis Indonesia is only one example of the threat to the Paradise Forests of Asia-Pacific by illegal and destructive logging. Unfortunately there are numerous other examples of companies, locally, regionally and globally, which blatantly break laws and who revert to bribery and corruption to be able to continue to operate with impunity. If governments in both timber producing and consuming countries are serious about stopping the trade in illegal timber they must urgently act together and pass strict legislation to prevent it from continuing.

Greenpeace calls on the Indonesian Government to:

- Investigate and prosecute Kayu Lapis Indonesia, and other companies involved in illegal and destructive logging activities.
- Put in place a moratorium on large scale commercial logging activities in the intact forest landscapes of Indonesia, starting with Papua, until national and local forestry policies have been reviewed, proper landscape planning has been conducted and a significant increase in protected areas has been established.
- Legally recognize community land rights and community rights to forest resource management; assist forest-dependent communities in establishing ecologically responsible projects which benefit the environment and local communities.
- Combine improvement of forest resource management with anti-corruption measures; enhance law enforcement and increase the penalties for crimes in forest concessions
- Continue to work within the East Asia and Pacific FLEG process.

Governments around the world must act to stop forest destruction by:

- Setting up a global network of protected forest areas
- Banning the import of illegal timber and timber products and promoting socially and ecologically responsible forest management worldwide
- Supporting efforts by countries that produce timber to combat corruption and to strengthen law enforcement

Companies must:

- Only purchase timber and timber products certified by the Forestry Stewardship Council (FSC)
- Reject timber products from illegal sources
- Adhere to national and international laws and regulations

