

LAWLESS: HOW EUROPE'S BORDERS REMAIN OPEN TO TRADE IN ILLEGAL TIMBER

A staggering 80% of the world's ancient forests have already been destroyed or degraded and much of what remains is under threat from illegal and destructive logging. The Member States of the European Union (EU) play a key role in fuelling the international demand for timber products from these sources. These products end up being used on construction sites and sold in stores across Europe. This is because the EU currently has no mechanisms in place to control timber imports. If the last remaining ancient forests and the endangered species and peoples that they support are to have any kind of future, the EU must immediately introduce legislation to stop the import of illegal timber products into Europe and promote environmentally responsible and socially just forest management worldwide.

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:

- Obtaining concessions illegally (e.g. via corruption and bribery)
- 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

It should also be noted that much destructive logging is actually legal and that legal and illegal logging are often closely linked. Therefore addressing only illegally sourced timber is not sufficient to protect the world's ancient forests.

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

Muhammed Prakosa, Indonesian Forest Minister, January 2003

In Indonesia it is estimated that up to 90% of logging is illegal



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'In the EU there is currently no Community legislation prohibiting the import and marketing of timber and timber products produced in breach of the laws of the country of origin.'

FLEGT Action Plan, 2003¹

STOLEN TIMBER

Illegal logging is having a devastating impact on the world's forests. Its effects are global and include deforestation, the loss of biodiversity and climate change. Illegal logging creates social conflict with indigenous and local populations and leads to violence, crime and human rights abuses.

Documented uses for revenue from illegal logging activities include civil wars, organised crime and money laundering, threatening international security. Weak governance and corruption in timber producing countries is a key component driving illegal logging.

The World Bank estimates that illegal logging costs timber producing countries between US\$10-15 billion per year in lost revenue, which could otherwise be spent on much needed public services such as building schools and hospitals.² Illegal logging also undermines the trade in legal and well managed timber by responsible companies by under cutting its price and making it less competitive.

ANCIENT FORESTS IN CRISIS

Between August 2003 and 2004, the recorded deforestation rate for the Amazon Basin, the world's largest tropical forest, was the second highest ever recorded. An area of 26,130 square kilometres (almost the size of Belgium) was destroyed, much of it illegally.³

Ancient forests have evolved over thousands of years into unique and vital habitats for millions of plants and animals. They are also home to millions of people who depend on them for their livelihoods and survival. Once they are destroyed they can never be replaced.

It is estimated that some 1.6 billion people worldwide depend on forests for their livelihood and 60 million indigenous peoples depend on forests for their subsistence.⁴

Ancient forests stabilise the structure of the soil, helping to prevent erosion, silting of rivers and flooding. In mountainous areas they also reduce the risk of landslides. Furthermore, forests serve as vast carbon reservoirs, storing carbon dioxide and playing an important role in the regulation of the Earth's climate.



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In just one year the Amazon lost an area almost the size of Belgium to rainforest destruction



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Ancient forests are critical to indigenous peoples who depend on them for their way of life

EXAMPLES OF ILLEGAL LOGGING RATES

'Today between six and nine out of every 10 logs are exported from Russia illegally.'

S. Mironov, Chairman of the Federal Council of the Russian Federation, September 2005⁷

- In Indonesia it is estimated that up to 90% of logging is illegal⁸
- In the Brazilian Amazon it is estimated that 60-80% of logging is illegal⁹
- In Cameroon 50% of logging between 1999-2004 is estimated to have been illegal¹⁰
- In Ghana there is no legal timber production because no valid logging permits currently exist¹¹

THE EU BUYS FOREST DESTRUCTION

The illegal trade in timber may be worth over a tenth of the total global timber trade, estimated to be more than US \$150 billion a year.⁵ In its 1999 review of its global forest policy, the World Bank stated that in many countries illegal logging is similar in size to legal production and that in others it exceeds legal logging by a substantial margin.⁶

Illegal logging and the trade in illegally sourced timber is fuelled by demand for cheap wood products in Europe, the US, Japan and China, where governments turn a blind eye to its origin. The EU is a major consumer of timber from areas where illegal and destructive logging is a serious problem. For example:

- The EU is the second largest market for sawn timber from Asia and the second largest market for Asian plywood.¹²
- The EU accounts for around 40% of all timber exports from the Brazilian Amazon.¹³
- Total EU timber imports from Cameroon in 2004 were worth approximately €400 million. Italy is the leading EU buyer of sawn wood, logs, veneer and mouldings. Spain is a major importer of sawn timber. Other important importers of sawn timber are France, Belgium, the Netherlands and Ireland. Germany is a significant importer of Cameroon logs.¹⁴
- The EU is the major wood trading partner for Ghana accounting for over 50% of total exports in 2004. Key markets include Italy, Germany, the UK, France, Belgium and Spain.¹⁵
- The EU is the largest importer of logs from Russia and accountable for nearly half of Russia's trade in sawn timber. The EU also imports nearly half of Russia's plywood exports.¹⁶

As a global political player and one of the largest importers of timber products, the European Union has a shared responsibility with timber producing countries to adopt measures to combat illegal logging and improve forest law enforcement and governance around the world.

EU ACTION ON ILLEGAL LOGGING – WHY IT IS NOT ENOUGH

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. Amongst other things, 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.



Logging in Russia is destroying ancient boreal forest

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

Nabiel Markarim, Indonesian Minister of the Environment, September 2002



Illegal logging in Papua New Guinea destroys the homes of indigenous peoples who depend on the forest

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LOOPHOLES IN THE VOLUNTARY APPROACH

While the FLEGT Action Plan also recommends the development of further legislative options that could include legislation to prohibit the import of illegally logged timber products into Europe, the European Commission is promoting VPAs as the best solution to tackle the problem of illegal logging. Unfortunately, the voluntary approach alone is insufficient and without proper environmental and social safeguards may actually backfire and contribute to the laundering of illegal timber and undermine the drive towards sustainable forest management.¹⁸ This is because there are serious loopholes in the voluntary approach that include the following:

- **VPAs will only cover direct trade with Europe, not timber products imported via a third party country, such as China.** European Member States make up approximately 14% of China's total export market, a figure that is increasing rapidly.¹⁹ More than half of China's total timber imports originate from forests in Russia, Malaysia, and Indonesia, with Papua New Guinea, Burma and Gabon also being significant sources. In all of these areas illegal and unsustainable logging is rampant. Given this, it is very likely that illegal timber will continue to come into Europe, even if VPAs come into effect.
- **VPAs will only apply to countries that enter into such agreements.** The European Commission admits that 'some important wood-producing countries may chose not to enter into FLEGT partnership agreements with the EU', meaning that products imported into Europe from such countries will not be covered by VPAs.²⁰
- **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.
- **No mechanisms have been established to ensure meaningful consultation with civil society groups regarding VPAs.** These include Members of Parliament, Non Governmental Organisations (NGOs) and indigenous people's groups.
- **VPAs could lead to the entrenchment of environmentally and socially destructive forest practices.** There is a risk that timber producing countries may base their licensing scheme on existing private systems. Many of these systems are weak and cannot guarantee independent monitoring of forest management practices, third party verification of legality throughout the supply chain or the engagement of civil society groups. There is also the risk that timber producing countries may water down their existing laws or legalize existing illegal practices to meet Europe's demands.

The [European] Commission continues to believe that a voluntary approach offers the best means to combat illegal logging in an effective and proportional manner. A solution to this serious problem requires the full co-operation of wood-producing countries.'

Louis Michel, EU Commissioner for Development, July 2005¹⁷



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At the European Commission construction site Greenpeace volunteers replace plywood from Indonesian rainforest destruction with plywood certified by the Forest Stewardship Council

EU COMMISSION USES TIMBER FROM RAINFOREST DESTRUCTION

In 2004, Greenpeace exposed the European Commission for using timber from Indonesian rainforest destruction in its own building and refurbishment work. Greenpeace investigators found that the new offices of the EU, the Berlaymont, and the Economic and Social Committee (Committee of the Regions) buildings both used Indonesian rainforest plywood for walls and flooring. Indonesia has one of the highest rates of illegal logging in the world and has one of the longest lists of endangered species in the world. The plywood was supplied by companies like Korindo and Asia Forestama Raya (AFR) both known to have traded in illegal timber.²³

THE NEED FOR LEGISLATION IN THE EU

Greenpeace believes that to fill the gaps in the voluntary approach set out above, the European Commission must introduce comprehensive legislation to stop the import of illegal timber products into Europe and promote sustainable forest management worldwide.

To outline how legislation to stop the import of illegal timber and promote environmentally and socially responsible forest management could work, Greenpeace, FERN and the WWF drafted model legislation and circulated it to governments of the EU Member States at the end of November 2004.

In July 2005 the European Parliament also called on the Commission to go beyond the proposed voluntary regime by adopting a resolution calling on the Commission to put forward legislation to prohibit the import of illegal timber products.

NGOS AND INDUSTRY SUPPORT LEGISLATION

Over 180 non-governmental organisations and 70 progressive EU companies including B&Q, Homebase and Habitat (UK), Castorama (France), IKEA and Skanska International (Sweden), Unital (Union of Italian Industries of Wood Furniture), JYSK Nordic (Denmark) and Puertas Luvipol (Spain), also called on the Commission to introduce legislation that will lead to clear rules in Europe for fair competition and sustainable markets.

'Binding legislation is required...to prosecute companies and individuals importing or marketing illegally sourced timber and forest products.'

EU Parliamentary Industry and Trade Committee, January 2004



A truck loaded with African logs heads for processing into plywood in China

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'Cheap imports of illegal timber and the non-compliance of some firms with basic social and environmental standards destabilises international markets, threaten jobs and create unfair competition. Without a clear European legal framework, companies that behave responsibly and want to invest in sustainable practises will always be at a disadvantage'

André de Boer, Director of the Dutch Timber Trade Federation, April 2005



Plywood mill in China supplying timber to the EU

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BANNING THE OBVIOUS

EU legislation would be aimed at eliminating trade derived from criminal activities in the country of origin. The following table sets out the criminal issues that are related to illegal logging:

CRIMINAL ISSUES	EXAMPLE COUNTRIES	ILLEGAL LOGGING: IMPACTS AND COSTS
Corruption and fraud	Brazil, Indonesia, Russia, Cameroon, Gabon, Democratic Republic of Congo (DRC)	<ul style="list-style-type: none"> • promotes and sustains corruption. • costs governments billions of dollars in lost revenue.
Lawlessness	Brazil, Peru, Papua New Guinea, Indonesia, Cameroon, Gabon	<ul style="list-style-type: none"> • illegal logging undermines the rule of law and good governance. • retards sustainable development in some of the poorest countries
Conflict related issues	Liberia, Sierra Leone, Democratic Republic of Congo (DRC)	<ul style="list-style-type: none"> • profits from timber funds armed conflict. • finances rogue governments.
Death threats and murder	Brazil, Peru, Indonesia	<ul style="list-style-type: none"> • logging companies use force to displace forest communities and indigenous people from their land.
Slavery and debt bondage	Brazil	<ul style="list-style-type: none"> • workers are held in debt bondage in remote areas of forest.

'Corruption is like a disease. If the disease is not detected and diagnosed promptly and appropriate treatment applied, the disease will invade and suffocate the host and terminate life.'

Inquiry into corruption into the PNG Forest Service, 2003²¹



Sister Dorothy Stang

ANARCHY IN THE AMAZON: THE MURDER OF SISTER DOROTHY STANG

Lawlessness and violence goes hand in hand with forest destruction. On the 12 of February 2005, Sister Dorothy Stang, a 73 year old missionary who had devoted half her life to defending the rights of rural workers against the interests of farmers and ranchers, was assassinated in the state of Pará in the Amazon. Sister Dorothy, an American nun and Brazilian citizen was working to minimize land tenure conflicts, involving land grabbing, deforestation and illegal logging. She was murdered by gunmen with six shots.

'Illegal logging robs national and subnational governments, forest owners and local communities of significant revenues and benefits, damages forest ecosystems, distorts timber markets ... and acts as a disincentive to sustainable forest management.'

G8 Finance Ministers, 1998²⁴

CALL TO ACTION FOR GOVERNMENTS

At the United Nations Convention on Biological Diversity (CBD) in 2004, signatories including the EU and its Member States, agreed, 'individually and collectively to take further steps in curbing the illegal exploitation and trade of resources, particularly from existing protected areas and from areas of ecological importance for biodiversity conservation.'²²

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

- **Adopt legislation to halt the import and marketing of illegally logged timber into Europe and promote environmentally and socially responsible forest management worldwide.** Such a law should allow for the prosecution of individuals and companies involved in the illegal trade of timber and timber products. Ultimately such a law will ensure European consumers that only timber products from legal and well managed forests are sold in their marketplace and that traders engaged in legitimate trade are not undermined.
- **Develop strong Voluntary Partnership Agreements (VPAs) between producer countries and the European Union** which will tackle corruption and weaknesses in the forest governance of producer countries and that will fully involve a broad range of stakeholders within those countries, leading to responsible forest management practises, such as those specified under the principles and criteria of the Forest Stewardship Council (FSC).
- **'Green' their timber procurement** by introducing legal and sustainable purchasing criteria, so that they no longer fuel illegal and destructive logging activities using public money.
- **Implement and enforce existing national and European legislation on bribery and money laundering,** which are regularly linked to the trade in illegally logged timber.
- **Provide sufficient funding for forest conservation and sustainable forest management in timber producing countries** and ensure that EU subsidy programs do not fund or promote forest destruction on the ground.



Landowner Sakas Aonomo on a stockpile of logs in PNG. His family faces an uncertain future as logging threatens to destroy their lands

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There is currently no law to stop the import of illegally logged timber into Europe

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THE FOREST STEWARDSHIP COUNCIL

The Forest Stewardship Council (FSC) is the only internationally recognised forest certification system on the market that can give credible assurance that timber products come from responsibly managed forests. It is also the only system supported by major environmental groups including Greenpeace, Friends of the Earth and World Wide Fund for Nature (WWF), as well as progressive timber companies and many indigenous peoples' organisations.

All products carrying the FSC logo support responsible forest management. The FSC logo can only be used on products whose chain of custody has been audited and monitored. This requires that the timber be tracked through all stages of processing from the forest to the final labeled product.



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ENDNOTES

¹ FLEGT Proposal for an EU Action Plan, 21 May 2003, section 4.2.4, http://europa.eu.int/comm/development/body/theme/forest/initiative/docs/Doc1-FLEGT_en.pdf#zoom=100

² The World Bank Group, A Revised Forest Strategy for the World Bank Group, 31 October 2002, p. 1 [http://lnweb18.worldbank.org/ESSD/essdext.nsf/14DocByUnid403A34FDD7B9E84A85256BD00077D91B/\\$FILE/FSSPFinal1Nov02.pdf](http://lnweb18.worldbank.org/ESSD/essdext.nsf/14DocByUnid403A34FDD7B9E84A85256BD00077D91B/$FILE/FSSPFinal1Nov02.pdf)

³ PRODES – Amazon Forest Satellite Monitoring/2003–2004 deforestation data, INPE, 2005, www.obt.inpe.br/prodes/

⁴ World Bank Press Release, Global Forum calls to curb illegal logging and promote responsible forest investment, 23 October 2003

⁵ OECD Environmental Outlook, 2001, p.122 www.oecd.org/ataoecd/51/6/2088589.pdf

⁶ World Bank, A Review of the World Bank's 1991 Forest Strategy and its implementation, January 2000, p 4

⁷ Speech at the international conference, Responsible use of Nature – 2005, ORGANISATION DATE www.rosbalt.ru/2005/9/7/224795.html

⁸ Partners in Crime: A Greenpeace Investigation of the links between the UK and Indonesia's timber barons, Greenpeace, June 2003, www.greenpeace.org.uk/MultimediaFiles/Live/FullReport/5733.pdf

⁹ In 2004, 58.8% of logs were produced without any authorization from IBAMA. However, the total level of illegality will be higher since most companies with Forest Management Plans do not respect forest laws and regulations. Companies also misuse official paperwork to launder illegal wood from non authorized areas. The 80% figure comes from IBAMA's own estimate published in SAE (1997) Forest policy – lumbering exploitation in Amazonia. Brazilian Secretariat of Strategic Issues, April 1997.

¹⁰ Evolution de l'exploitation des forêts du Cameroun: production nationale, exploitation illégale, perspectives, Philippe Auzel, Timothée Fomete, ODI Joseph & Jean-Cyril Owada and World Bank/WWF Alliance, Forest Law Assessment in Selected African Countries, Final Draft, October 2002

¹¹ Forest Ghana Watch, interview with Kyeretwie Opoku, Yaounde, Cameroon, October 2005. All timber concessions are required to be reviewed by the Ghanaian Government. Most companies failed to apply for a review and those that did have yet to have a response from the Government.

¹² Figures by value, from FAO FAOSTAT online database, quoted in FLEGT Proposal for an EU Action Plan, 21 May 2003, Annex 2 p. 28–29

¹³ Figure by value, from Ministério do Desenvolvimento, Indústria e Comércio Exterior (MDIC) www.desenvolvimento.gov.br

¹⁴ Rupert Oliver & Emily Fripp, Changing International Markets For Timber: What African Producers Can do, African Timber Trade Forums, Producer Country Draft – Cameroon, May–July 2005, section 1.2.

¹⁵ Rupert Oliver & Emily Fripp, Changing International Markets For Timber: What African Producers Can do, African Timber Trade Forums, Producer Country Draft – Ghana, May–July 2005, section 1.8.

¹⁶ Figure by volume, from FAO FAOSTAT online database, quoted in FLEGT Proposal for an EU Action Plan, 21 May 2003, Annex 2 p. 28–29

¹⁷ Answer given by Louis Michel on behalf of the Commission E-2242/05EN, 28 July 2005

¹⁸ For more on this see: How to ensure the EU FLEGT licensing scheme will contribute to controlling illegal timber and sustainable forest management, NGO statement, 25 September, 2004

¹⁹ Sun Xiufang, Forest Trends, The Chinese Market: Supply, Demand and Trade Workshop, Beijing, China, 6–7 June 2005

²⁰ FLEGT Proposal for an EU Action Plan, 21 May 2003, section 4.2.4, http://europa.eu.int/comm/development/body/theme/forest/initiative/docs/Doc1-FLEGT_en.pdf#zoom=100

²¹ The report on the Inquiry into Due Diligence of the National Forest Service (confidential report), Quest International, July 2003 www.masalai-i-tokaut.com

²² Text from final Declaration of Conference of the parties, CBD meeting, Malaysia, February 2004, VII/28. Protected Areas (Article 8(a) to (e)). www.biodiv.org/doc/decisions/COP-07-dec-en.pdf

²³ Investigations in 2003 by the Dutch based campaign group Milieudefensie revealed that AFR has been accepting illegal timber from the Giam Siak Kecil wildlife refuge. Giam Siak Kecil is a 50,000 hectare reserve that is home to the critically endangered Sumatran tiger. The report, 'Suspect timber from Indonesia' can be found at www.milieudedefensie.nl/foenl/publicaties.htm Korindo's Ariabima Sari mill was inspected by Indonesian Department of forestry Inspectors in May 2003 and found to be using illegal logs purchased from the notorious Rasyid family, known for the trade in illegal timber from Tanjung Puting national park (see for example EIA/Telapak, Illegal logging in Tanjung Puting National Park www.eia-international.org)

²⁴ Finance Ministers' Meetings and G8 Foreign Ministers' Meetings: G8 Action Programme on Forests (Section VI points 10 and 11) G8 Birmingham Summit, 9 May 1998, University of Toronto G8 Information Centre www.g8.utoronto.ca/foreign/forests.html