

Framed

Italy's Dirty Trade In Stolen Timber

Italy imports an estimated €45 million of illegally cut timber from Indonesia every year.



EIA's investigations have uncovered evidence that Italian picture frame companies are illegally importing endangered wood from Indonesia and illegally exporting it to the United States.

Executive Summary

Demand for cheap timber in consuming countries such as Italy is driving the forests of the world to destruction. Italy is a member of the UN, G8 and the European Union and has repeatedly acknowledged the scale of this problem. It has made commitments to tackle the international trade in illegally sourced wood, but so far it has failed to honour these commitments. EIA and Telapak investigations have uncovered evidence that wood from an endangered tree species illegally logged in National Parks in Indonesia continues to be traded illegally through Italy and passed on unwittingly to other countries.

The European Commission is soon to release a report outlining steps which the EU can take to solve these problems. Italy will be leading with the European Presidency in June 2003 and their active support for legal measures to address the problem is critical if these steps are to succeed. To solve the issue of illegal trade a new EU Regulation that will ban the import of illegally sourced timber and wood products must be agreed. Italy will be in a position to guide this issue through and bring the regulation into force.

Italy's Illegal Timber Imports

A shocking report published in 2001 on imports of illegal timber into the European Union showed that, based on the rate of illegal logging in a few major source countries, as much as 40 per cent of the tropical timber imported by Italy may have been illegally logged. In 1999, Italy imported an estimated 500 000 cubic metres of illegal tropical timber, with an import value of €150 million. The authors of the report stress that even this estimate should be considered conservative – and it does not even include imports of timber from temperate forests, which are also suffering at the hands of illegal timber syndicates.⁽¹⁾

Italy is one of the world's major consumers of timber, and is also the home of large industries which re-export much of this timber all over the world in the form of wood products. Italy consumes more than thirty-five million cubic metres of timber every year, and more than eighty per cent of this has to be imported.⁽²⁾ While tropical timber use has declined over the last two decades, Italy still imports around 1.5 million cubic

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metres of tropical hardwoods every year, mainly to feed the country's huge furniture industry.⁽³⁾ Italy has the largest furniture export industry in the world – an industry which has doubled in size over the last decade, with exports now valued at €10 billion a year.⁽⁴⁾ It is an industry which prides itself on the Italian reputation for design style and quality craftsmanship, but the industry seems happy for its customers to remain blissfully unaware that much of the raw material was looted from the world's rapidly diminishing forests.

While much of the responsibility of tackling illegal logging lies with producer countries, these countries need the help of major consumers who must also face up to their responsibilities. Indonesia is one of the countries suffering most from illegal logging, and the Indonesian government has recently been increasing its efforts to halt illegal logging and the export of illegally produced wood. But they need the help of consumer countries.

As the Indonesian Forest Minister put it in a speech in January 2003 to a meeting of international aid donors: "Expecting or asking one country to combat illegal logging while at the same time receiving or importing illegal logs of course does not support efforts to combat these forest crimes. In fact allowing import [of] illegal logs and associated products will only intensify the crimes. ...allowing [the] import and trade [in] illegally cut timber and associated products could also be considered as an act to assist or even to conduct forest crime".⁽⁵⁾

Italy imports an estimated 150 000 cubic metres of illegal timber from Indonesia every year.⁽⁶⁾ In 2001 the Indonesian government requested through an international treaty the help of major consumers of one particular threatened tree species being targeted by the timber barons - ramin (*Gonystylus spp.*). Italy is one of the largest consumers of Indonesian ramin, which is used in the furniture and other manufacturing industries, and the story of this species provides a picture of how Italy continues to consume vast quantities of wood of dubious legality, and how the Italian government has been failing in its responsibility to help tackle the international trade in illegal timber.

The Ramin Racket

EIA's investigations have shown that some Italian companies have been importing ramin illegally from Indonesia and elsewhere. These investigations have also shown that while some of this ramin is allowed to flow freely into other European countries, Italian manufacturers are also illegally re-exporting it to the United States.

Ramin is a high value tropical hardwood from Indonesia and Malaysia, and almost all of the ramin that is cut is destined for export. Once a major timber in trade, ramin has been overlogged for many years, and now very little remains outside protected areas – most of them in Indonesia. But this has not stopped the demand and has not stopped the illegal timber barons. Since 1999 investigations carried out by EIA with Indonesian campaign partners Telapak have revealed widespread illegal logging of ramin in Indonesia's National Parks, including the world famous Tanjung Puting National Park. This is one of the last sanctuaries for the endangered orangutan, one of our closest relatives. EIA/Telapak investigations have also shown that much of the ramin from Indonesia was being laundered through neighbouring countries such as Singapore and Malaysia, and finding its way on to the world market.⁽⁷⁾

In response to growing concerns about illegal logging and trade in this species, in April 2001 the Indonesian government banned all cutting and export of ramin. Seeking international help, they also put forward the species for listing on Appendix III of the Convention on International Trade in Endangered Species (CITES). This international convention, to which 155 countries including Italy are signatories, is designed to monitor and if necessary limit the movement of species thought to be threatened by international trade. The Appendix III listing, which came into effect in August 2001, meant that consuming countries must only allow the import of ramin and ramin products with official CITES permits from the exporting government. These countries must also issue CITES certificates for any re-export of ramin or ramin products, and must only issue these if they are satisfied that the wood was imported legally. Other than for



Left: Illegal logs in Tanjung Puting National Park, Indonesia. The wood is destined for international markets.

Illegal logging and the International Trade in Illegally Sourced Timber

Illegal logging takes place when timber is harvested, transported, bought or sold in violation of national laws. It is widespread in most of the major timber producing and exporting countries of the world. In some cases illegal logging represents more than half of production, and large quantities of illegally sourced wood find their way to the major markets of Japan, China, the US and Europe in the form of raw timber, furniture or other products.

In Indonesia for example, an estimated 73 per cent of logging is illegal, and as a result the annual log harvest is more than three times the sustainable yield.⁽¹²⁾ This lawlessness in Indonesia's forests is having a disastrous effect. Indonesia is host to the world's second largest area of tropical forest, but this forest is now being lost at a rate of 2.1 million hectares a year.⁽¹³⁾ It is predicted that at this speed Indonesia's lowland dry forests will have completely disappeared by 2010.⁽¹⁴⁾

As much as 80 per cent of logging in Brazil is thought to be illegal, as is more than half of log production in Cameroon and Gabon. The problem is by no means restricted to tropical countries or the developing world. Estimates of illegal logging in Russia range from 20 to 30 per cent, while research has shown illegalities are also commonplace in Canada's forestry sector.⁽¹⁵⁾

Illegal logging and forest destruction have devastating long term effects. Selective illegal logging of high value threatened tree species destined for international trade is often the first step leading to forest clearance, as the tracks and roads built to access and remove the timber become entryways for further illegal cutting, hunting and burning. The water balance in fragile areas is upset, and fires, landslides and floods result –further harming the native fauna and flora as well as creating havoc for local forest-dependent peoples.

Illegal logging also has major economic implications. It is estimated that illegal logging on public lands worldwide causes annual losses in revenues and assets in excess of €10 billion.⁽¹⁶⁾ All too often money which should be going to fund schools, hospitals and clean drinking water in developing countries is instead finding its way into the pockets of illegal timber barons, corrupt enforcement personnel and politicians, and is discounting the wood furniture, picture frames, blinds or flooring in the major consuming countries of the Western world. None of these consuming countries yet have laws banning the import of illegally sourced timber or wood products.

EIA's investigations have uncovered evidence that Italian picture frame companies are importing ramin illegally from Indonesia and exporting it illegally to the United States

Below: Brochure for Nencini & Masini. The export manager told investigators the company sends ramin mouldings to the US without any CITES paperwork.



a small quantity of certified wood exported by one company, since the end of December 2001 Indonesia has banned all exports of ramin.⁽⁸⁾

Italy is the third largest consumer of ramin in the world after China and Taiwan, and is by far the largest consumer of ramin in Europe. More than seventy-five per cent of the ramin imported into the European Union from Indonesia and Malaysia in 2001 was destined for Italy – wood worth millions of Euros.⁽⁹⁾ Since the European Union has no internal barriers to trade and therefore no internal CITES controls, it is the responsibility of the country of first import to ensure that only legal ramin is allowed to enter. Italy also re-exports large quantities of ramin products to other EU member states as well as elsewhere in the world. Italy's effective implementation of the CITES ramin controls is therefore essential if the listing is to work.

While officially recorded exports of ramin to Italy do appear to have dropped since the Indonesian ban and CITES listing,⁽¹⁰⁾ the quantity of the wood available in the Italian market appears almost unchanged. On a visit to any major DIY retailer or supplier to the furniture manufacturing industry you can still find large quantities of ramin openly and cheaply on sale, as confirmed by surveys carried out by EIA. From slatted louvre doors to dowels and skirting boards, from venetian blinds to picture frames, ramin is still very much available in Italy today – more than a year and a half since the CITES listing.⁽¹¹⁾ Given that Indonesia, the major source of most ramin timber, has banned its export, this begs an obvious question – where can all this wood be coming from?

Frame Fraud

The largest consumer of ramin wood in Italy is the picture frame industry. Famous for its rich artistic heritage, Italy is a world leader in the production of wooden picture frame mouldings, with much of the production destined for the US or other EU member states.

Italian companies in the industry's core region of Tuscany produce thousands of kilometres of picture frame mouldings

every month, and a sizeable portion of these are made from ramin. Estimates for the quantity of ramin consumed by the industry annually reach as high as 30 000 cubic metres – almost as much as the world's entire remaining legal production.⁽¹⁷⁾ In August 2002 EIA carried out an investigation into the industry and uncovered evidence that these companies were importing and re-exporting Indonesian ramin illegally.

EIA investigators met with executives from a number of picture frame companies in the Certaldo-Castelfiorentino area of Tuscany, and were shocked at what they were told.

None of the companies spoken to about ramin made any mention of CITES, and those to whom the term was mentioned expressed complete ignorance. Under European Union CITES legislation, it is illegal to export ramin products from Italy to the US without CITES Re-export permits which must be obtained by the exporter from the Italian government. Although there was no evidence they were *importing* ramin illegally, executives from two companies claiming never to have heard of CITES - Cioni Cornici and Nencini & Masini - were nevertheless recorded on hidden camera claiming that no special permits are required for ramin and that they have exported ramin mouldings to the US without any such permits. At both companies, investigators were shown shipments of ramin mouldings which were being readied for imminent export to the USA, and were told that similar shipments had been made in the last few months without any special government paperwork.⁽¹⁸⁾

Confirmation of the illegality of these shipments comes in the form of copies of CITES permits received by US authorities for ramin imports up to July 2002 and obtained by EIA. The picture frame companies in the region claimed to have made regular shipments including ramin mouldings to the US since August 2001, but US authorities had not received a single legal shipment of ramin with a CITES re-export permit from the Italian authorities since then.⁽¹⁹⁾ The evidence indicates these companies have been breaking the law.

Further evidence of the deliberate

circumvention of CITES rules by picture frame companies in the region was shown to EIA in the form of documents relating to another local manufacturer which was caught in the act in spring 2002 importing ramin illegally from Indonesia under a false name without CITES permits. The ramin was seized and the case was being investigated by the authorities.⁽²⁰⁾ At the time of EIA's visit to the area, the company's offices remained closed. This case was exposed only through the vigilance of an officer at a nearby port - as with all illegal trade, it is probable that this was the tip of the iceberg and that many more such shipments have been entering Italy illegally.

It is the responsibility of the Italian CITES Management Authority to ensure not only that CITES is complied with legally, but also to ensure that the companies involved in the trade are fully informed of the new measures. The authorities have also failed in this regard. A full report of EIA's findings from the investigations carried out in 2002 was passed to the Italian authorities, but no response has yet been received.



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Left: Ramin dowels on sale in Italy, August 2002. Large quantities of ramin remain on sale at low prices in Italy despite a drastic reduction in the quantity of legal wood in the market.

Ramin and CITES

CITES is an international treaty which 155 countries including Italy have signed and which they are all legally required to implement. It is designed to control and if necessary halt the trade in species of wild plants and animals which are suffering from unsustainable international trade.

Species are placed on one of three lists – Appendix I, II and III. Appendix I is the highest level of protection and means that no commercial trade is permitted, while Appendix II allows strictly limited trade. Appendix III includes species subject to regulation within a particular member country and for which the co-operation of other member countries is needed to control cross-border trade. A species can be listed on Appendix III by a range state at any time.

An Appendix III listing means that all exports from the range state which listed the species must be accompanied by a CITES Export Permit issued by the government. These permits provide a guarantee by the exporting country that the export is legal and sustainable. Shipments from other range states must be accompanied by a CITES Certificate of Origin, which guarantees that the wood came from that country. Re-exports of species on Appendix III from other CITES countries require a CITES Re-export permit, which should only be issued if the country of re-export is satisfied that the articles were previously imported legally under CITES. The CITES Appendix III listing provides a legal basis whereby CITES Parties are responsible for seizing shipments of ramin which are not accompanied by any of these permits.

Italy must only allow the import of ramin from outside the EU if it is accompanied by a CITES permit. Under EU CITES legislation, Italy is not required to issue CITES permits for exports of ramin to other EU member states, but all exports of ramin or ramin products to other countries including the US must only be permitted with CITES permits.

"[We will] take immediate action on domestic forest law enforcement and illegal international trade in forest products"

Commitment by Italy at the World Summit for Sustainable Development, September 2002

Below: Italy has made numerous commitments to halt the trade in illegal timber.

The Case of the Missing Ramin

Under European CITES implementing legislation, any company importing ramin into the EU must complete an Import Notification document, and the CITES Management Authority of the country of import must collect these along with copies of CITES permits from the country of origin and use the data from them to report on trade in CITES specimens. However, Italy's reported data on legal registered ramin imports between August and December 2001 shows a huge discrepancy between what they have recorded as legally imported and what source countries claim to have exported to them.

Malaysia reports issuing permits for exports to Italy of 8500 cubic metres of sawn ramin in the five months to December 2001, while Italy claims only to have received documentation for just under 4000 cubic metres.⁽²¹⁾ Though the Malaysian permits should guarantee the legality of the wood, the Italian authorities' failure to register 4500 cubic metres of sawn ramin entering the country appears to represent a huge failure of implementation on the ground which can only be making illegal trade easier.

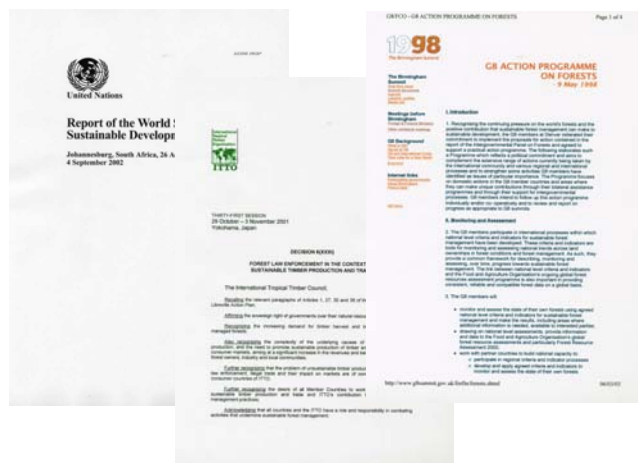
Italy also registered no legal imports of semi-processed ramin between August and December 2001, despite the fact that the bulk of ramin exports to Italy have traditionally been in this form. Indeed, Indonesian customs recorded some 3000 cubic metres of semi-processed ramin exports to Italy during those five months – none of which appear to have been noticed on arrival in Italian ports.⁽²²⁾

Failure of Commitments to Tackle Illegal Logging and Trade

Over the last five years there has been a growing awareness within the international community of the problems of illegal logging and trade in illegal timber, and of the need of producer and consumer countries to tackle them. In a variety of fora, many world leaders and governments, including Italy, have recognised the importance of this issue and repeatedly committed themselves to action. While many countries, including Japan, China and the UK have begun to take concrete steps, so far Italy has made only token efforts to live up to these commitments.

Since 1997, Italy has made repeated commitments within the United Nations to consider measures to counter illegal trade in forest products. Most recently, the 'Plan of Implementation' agreed at the UN World Summit on Sustainable Development in September 2002 included a commitment by UN governments to "take immediate action on domestic forest law enforcement and illegal international trade in forest products".⁽²³⁾

Meanwhile in 1998, as part of the 'Group of Eight' (G8) most economically powerful countries, Italy committed to an 'Action Programme on Forests' which including promises to tackle illegal logging and the trade in illegally sourced timber, including "assessing current control mechanisms, and developing effective and practical countermeasures".⁽²⁴⁾ However, in the final G8 report on the issue in June 2002, after four years Italy could report no independent actions related to its commitments on illegal logging. Indeed, the sum total of their accomplishments under the Action Programme amounted to assistance with the privatisation of the Albanian forestry department and funding towards satellite remote sensing of countries in Africa's Nile basin, which Italy had already committed to within the confines of the UN Food & Agriculture Organisation. All Italy could manage was to join the governments of the G8 in restating their commitment to "combat illegal logging and the use of illegally



harvested timber and related products” by, *inter alia*, taking “actions to eliminate the export and import of illegally harvested timber and related products”⁽²⁵⁾.

Italy is a member of the International Tropical Timber Organisation (ITTO), which represents the worlds major producers and consumers of tropical timber. The organisation issued a decision in late 2001 which further recognized the problems of illegal logging and associated trade and committed the organisation and its members to taking actions to tackle these problems.⁽²⁶⁾ At the same meeting it was decided that as part of the follow up to this decision ITTO would carry out a study to look at major discrepancies in wood trade statistics between producer and consumer countries, which can give some indication of illegal timber flows. A number of these major discrepancies involve Italy. In 2001 for instance Italy reported importing US\$14 million of sawntimber from Indonesia, while the Indonesian government recorded only US\$2 million of legal exports of sawntimber to Italy. Despite this, Italy declined an invitation to take part in the study.⁽²⁷⁾

Also in the Autumn of 2001, in a ground-breaking move, governments from across East Asia, as well as the US, UK and representatives of the European Union, issued a Ministerial Declaration on Forest Law Enforcement and Governance (FLEG). This historic declaration was the first high-level political statement of its kind on illegal logging and associated trade, and committed the governments concerned to a range of domestic, regional and

international actions to tackle the problem. These included a firm and urgent commitment to “undertake actions to prevent the movement of illegal timber” and to “explore ways in which the export and import of illegally harvested timber can be eliminated”.⁽²⁸⁾ Follow up actions have included a Memorandum of Understanding between the UK and Indonesia to tackle illegal logging and the trade in illegally sourced wood between the two countries, backed up with UK funding; a bilateral agreement between China and Indonesia regarding the same issues; a commitment by Japan to assist in setting up a new Asia Forest Partnership which will fund research and explore actions which can be taken on this subject; and funding from the US and French Governments for a similar Ministerial meeting for West Africa.

The European Commission has followed up the FLEG declaration with a series of seminars and workshops under the title ‘Forest Law Enforcement, Governance and Trade’ (FLEGT), the output of which is a planned official report which will lay out the options for action which can be taken within the EU to deal with the problem, including the enactment of a new European Regulation which would, amongst other things, ban the import of illegally sourced timber and wood products.⁽²⁹⁾ The report is expected this Spring and concrete actions, based upon its recommendations, must follow urgently. Italy will be taking up the Presidency of the European Union in July 2003, and this will provide a unique opportunity for the country to make amends by taking a firm lead on this issue.

**As
European
Union
President in
2003 Italy
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Left: Tropical logs from Liberia at the port of Ravenna, Italy. Demand for cheap wood in consumer countries such as Italy is driving illegal logging in producing countries.

Conclusions

- Despite its legal duty under international law, Italy has so far failed to effectively implement the listing of ramin wood on Appendix III of CITES. EIA investigations have uncovered strong evidence that while at least one Italian company has imported ramin illegally from Indonesia, other companies are re-exporting ramin products illegally to the USA. This failure to implement the Appendix III listing is directly undermining the efforts of the Indonesian government to protect its remaining forests.
- Illegal logging and the trade in illegally-sourced wood is a global problem which has serious detrimental impacts on the environment, societies

and economies of many timber producing countries and has implications for the planet as a whole. It is being driven by uncontrolled demand in major consumer countries. Italy is a major consumer and re-exporter of illegally sourced timber and wood products, and currently no laws exist in Italy or elsewhere which prohibit the import of illegally sourced wood.

- In various international fora, Italy has repeatedly acknowledged the scale of this problem and made numerous commitments to take urgent steps to tackle it. So far Italy has failed to live up to those commitments. It is falling behind other major timber consuming countries which have begun to make the first steps towards tackling the problem.

Recommendations

As a signatory to CITES, a legally binding international treaty, Italy must:

- take urgent steps to ensure that the CITES Appendix III listing of ramin is properly implemented, and that those Italian companies which are found to have imported or exported ramin illegally are prosecuted to the full extent of the law.

As a major timber importing country, and as a member of the UN and the G8, Italy must follow the initiatives taken by countries such as the UK and Indonesia and:

- carry out urgent research into the current sourcing and legality of its timber imports, and work with source countries suffering from illegal logging to halt illegal timber trade.

In June 2003 when it takes the European Presidency, Italy must take the lead on this issue and:

- guide the on-going development of European Union measures to tackle illegal logging and prevent imports of illegally sourced wood and wood products.
- support the implementation of new European laws banning the import of illegally sourced timber and wood products.

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