

Singapore's Illegal Timber Trade



& The US-Singapore Free Trade Agreement



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**Right:
Singaporean
owned vessel
carrying illegal
timber seized by
Indonesian Navy.**



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Front Cover Photos: © Environmental Investigation Agency/Telapak

Left: Orangutans are struggling to survive.



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Executive Summary

On Tuesday May 6th, 2003, President George W. Bush and Singapore Prime Minister Goh Chok Tong signed the US-Singapore Free Trade Agreement (FTA), which will significantly relax the rules governing trade between the two countries.

Singapore, the world's busiest port and the first Asian country to sign a free trade agreement with the US, has long been known to act as a major center of illegal trade in endangered wildlife and wildlife products. This document reveals evidence demonstrating how the city-state also plays a key role in smuggling illegally cut timber into other Asian countries and in some cases into the United States.

The Environmental Investigation Agency (EIA), which specializes in investigating environmental crime, fears the US-Singapore FTA, as it stands, will trigger a major increase in Singaporean controlled exports of illegally cut timber into the US. The Office of the US Trade Representative, which led the US negotiations, admits that "international trade can play a role in stimulating, enabling or rewarding illegal activities in a number of Asia-Pacific countries where illegal logging (is) a significant cause of deforestation."¹

To avoid this outcome, it is imperative that both Singapore and the US act quickly to prohibit the import, export, transshipment or possession of illegally cut timber within their borders.

For the past five years, EIA and Indonesian campaign partners Telapak have investigated the massive illegal logging in Indonesia's national parks and areas of outstanding biodiversity. By tracking the major export trade routes of the millions of cubic meters of illegally cut timber, we have implicated Singapore and Malaysia as major recipients and traders of these products.

Undercover investigations by EIA and Telapak in April 2003 confirmed Singapore to be a central hub for laundering illegal shipments of Ramin, a highly valuable and endangered tree species found only in Indonesia and Malaysia, onto world and US markets. Indonesia banned the export of Ramin through the Convention on International Trade in Endangered Species (CITES). The remaining shipments from Malaysia and a single Indonesian certified concession must now be accompanied by proper CITES permits.

This report presents evidence that over US\$ 3 million of Ramin was imported into the US without the required CITES permits from or through Singapore between September 2001 and July 2002. Almost 52 percent of all Ramin shipments into the US during these ten months passed through or originated in Singapore. Total illegal Ramin imports — i.e. without CITES permits — into the US during this period may have exceeded US\$9 million.

The United States recognizes that illegal logging results in devastating environmental, social and economic costs on timber producing countries. Since the 1997 Denver Summit of the G8 major industrialized nations, the US has led international efforts to promote meaningful commitments to eliminate illegal logging around the world. It has been actively supportive of regional forest law enforcement initiatives in Asia and Africa and has pursued practical measures to combat illegal logging in a variety of international fora.

Executive Summary

Singapore, however, has been hostile to US-led international efforts to take action against illegal logging. It has also maintained a well deserved reputation as a major center of illegal international trade in endangered wildlife, including poached elephant ivory, tiger bone, parrots and other species. Singapore is also central to the regional Asian black market trade in chlorofluorocarbons (CFCs), with much of this material transiting through the city-state. EIA investigations reveal that Singapore shipped large amounts of CFCs to Nepal, itself a staging post for CFC smuggling into India. International trade in CFCs is strictly limited by the Montreal Protocol on Ozone Depleting Substances to which both the US and Singapore are signatories.

Singapore's loose and porous customs system is designed to facilitate international trade through its borders, but it is easily manipulated by criminal smuggling operations. Singapore

systematically withholds trade data to shelter evidence that could quantify the scope of illegal activities occurring in and throughout its territory. Singapore's commitment to multilateral environmental agreements is superficial and its enforcement is inadequate and passive. Singapore's obsession with facilitating trade—even illegal trade—disregards the environmental, economic and social damage it causes in other countries. Inadequate enforcement of its own policies sets Singapore at odds with US efforts to eliminate illegal logging and to uphold CITES, the Montreal Protocol and other major environmental agreements.

The US FTA with Singapore locks the US into an open-ended trade relationship with Singapore. The implications are far-reaching. Singapore is currently pursuing a plethora of parallel free trade agreements with its Asian neighbors, including two trade giants, China and Japan. Japan is the world's second largest timber importer and China is the third. By signing the US-Singapore FTA without sufficient environmental safeguards the US is opening itself up to a flood of uncontrollable imports of illegally cut timber, wildlife products and banned ozone depleting substances from across Asia.

The United States is at a crossroads. It recognizes that the status quo on illegal logging is decimating the world's remaining natural forests and is working in international fora to counter trade in illegally cut timber. The US now has a unique opportunity to advance international efforts to eliminate illegal logging, protect endangered species and suppress illegal CFC trade by using the US-Singapore FTA as a tool to require significant changes in Singapore's policies and laws. In so doing it can help protect the unique, but beleaguered, natural resources of Southeast Asia. If the US does not act, Singapore's environmental crimes will infect the trade relationship and severely weaken America's longstanding commitment to environmental enforcement.

May 2003



Right: Log raft near Tanjung Puting National Park, Central Kalimantan.

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US Leadership on Illegal Logging Issues

The United States has played a major role in promoting international efforts to address illegal logging since the 1997 G8 Summit in Denver. The G8 nations agreed to support an Action Program on Forests which included a commitment “to eliminate illegal logging.”²

In 1998, at the Birmingham Summit the G8 nations agreed to:

- increase information sharing on the extent of international trade in illegally harvested timber as a basis for developing practical and effective counter measures;
- assess the effectiveness of their internal measures to control illegal logging and international trade in illegally harvested timber and identify areas needing improvement;
- take measures to implement their obligations to combat bribery and corruption in international business pertaining to timber trade.³

The Forest Action Program also included a review of government timber procurement policies and the provision of technical assistance to timber producing countries.

Although the UK was formally tasked to focus G8 efforts on illegal logging, the US has been highly active in promoting international efforts in numerous fora to address illegal logging issues. The US was a major supporter and facilitator of the Forest Law Enforcement and Governance (FLEG) initiative launched in East Asia. In September 2001, ten East Asian nations, with the US and UK issued the Bali Ministerial Declaration, a historic agreement in which timber producing and consuming countries agreed to take far reaching actions to suppress illegal logging.

The countries agreed to take “immediate action to intensify national efforts, and to strengthen bilateral, regional and multilateral collaboration to address violations of forest law and forest crime and in particular illegal logging and the associated illegal trade and corruption and their negative effects on the rule of law.”⁴

Singapore and Malaysia were noticeably absent from the FLEG negotiations. Singapore had earlier refused a request to host the FLEG conference apparently to avoid drawing attention



Left: Illegal logging in Tanjung Puting National Park. Following a letter from US Senators to President Megawati, Indonesia launched an unprecedented enforcement operation in January 2003.

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to the issue.⁵ Singapore and Malaysia have neither participated in the FLEG process nor adopted FLEG policies, and have presented a hostile attitude to these historic efforts to suppress illegal logging. Malaysia, however, was forced to adopt a log import ban when its massive cross border log smuggling operation from Indonesia was revealed by a joint BBC TV and EIA/Telapak investigative expose. The Malaysian ban, announced in June 2002, has not been implemented at the date of this publication.⁶

Since 2001, the East Asia FLEG nations with the US, UK, European Union, Australia and Canada, have held two follow up meetings, established a governmental Task Force and an Advisory Group of environmental Non Governmental Organizations (NGOs) and private sector representatives. The US provided significant funding for the both the Asian and African FLEG processes. The African FLEG initiative (AFLEG) convened in June 2002 in Congo Brazzaville, with a planned Ministerial level conference scheduled for July 2003. The US has been a driving force in the AFLEG initiative.

In September 2002, Secretary of State Colin Powell announced that the US would join South Africa in the Congo Basin Forest Initiative to set up twenty-four new national parks in six African nations and committed US \$50 million in new funding over the next five years. USAID

“Illegal logging, associated trade and corruption are issues that will continue to be addressed in various international fora as a matter of priority.” G8 Forest Action Program

US Wood Imports

Right: Ramin picture frames

Administrator, Andrew Natsios instigated a review of measures USAID could take to counter trade in “conflict timber”. USAID also provided US \$2 million for a pilot project in Kalimantan, Indonesia to establish a prior licensing system to identify legally produced timber.⁷

The US provided further substantial funding and support to the International Tropical Timber Organization to fund new research into illegal logging in Asia and Africa.

President Bush directed Secretary of State Colin Powell in February 2002 to develop a Presidential Initiative on Illegal Logging. The emerging Initiative will likely include the use of satellite imaging to monitor illegal logging near national parks and protected areas around the world.⁸

The G8 Forest Action Program concluded in 2002 but noted that: “Progress to date on forest law enforcement and governance is only the beginning. Illegal logging, associated trade and corruption are issues that will continue to be addressed in various international fora as a matter of priority.”⁹

The signing of the US – Singapore Free Trade Agreement could provide a unique opportunity to urge Prime Minister Goh Chok Tong of Singapore to match the US Administration’s commitment to fight illegal logging by demonstrating the political will to clean up its customs loopholes, crackdown on criminals trading in illegally cut timber and develop a FLEG friendly policy.



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US Wood Imports

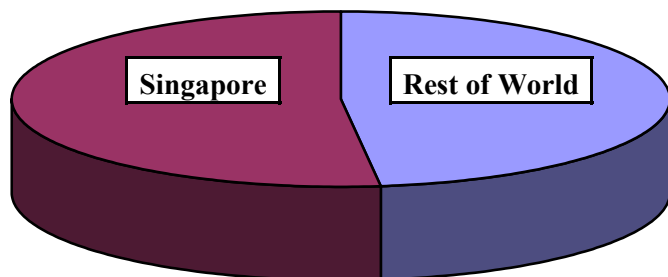
Overall, the US has demonstrated a major commitment to promoting international measures that counter illegal logging. But despite the variety of positive initiatives by the US Administration to address illegal logging, no policies or programs have emerged that will close or even restrict the massive US wood market to imports of illegally produced timber. While the UK and China have reached separate bilateral agreements with Indonesia to facilitate action programs against illegal logging and trade in illegally cut timber, the US has not concluded any bilateral or multiparty agreements with any of the major timber producers in Asia.

The US is the world’s largest importer and consumer of timber and wood products.¹⁰ In 2001, the US imported wood and wood products valued at around US \$25 billion a year. Canada is the largest supplier of wood products to the US, followed by China, Brazil, Chile and Indonesia, cumulatively accounting for US \$12.5 billion in 2001. The largest exporters of furniture and parts, are Canada, China, Mexico, Italy, Taiwan and Indonesia, who in total exported around US \$8 billion to the US.¹¹ Indonesia’s direct wood exports to the US for 2001 amount to US \$726 million.¹²

A British government study of Indonesia’s timber production estimated that 72.5 percent of the annual production of 60 million cubic meters logged in 1999 was illegally cut.¹³ China is a major processor of timber derived from illegally cut logs in Indonesia and the rest of Asia. US imports of wood and wood products from China have soared in recent years.

Below: A Gateway to Endangered Trees—Over half of all Ramin imports to the US arrive via Singapore.

Ramin Wood Shipments to the US, Sept. 2001—July 2002



52 percent of all shipments of Ramin came from or via Singapore, according to PIERs import data (see p. 5).

Singapore's \$3 million of Illegal Ramin Exports to the US

The US is the world's largest importer of timber and wood products and has a vast domestic demand for products made of high value tropical hardwoods. By volume, Ramin is not a major tropical timber import species, but is used for many specific products including moldings, futon and picture frames, window blinds, pool cues and other products. Trade in Ramin is controlled by the Convention on International Trade in Endangered Species (CITES). (See page I-4)

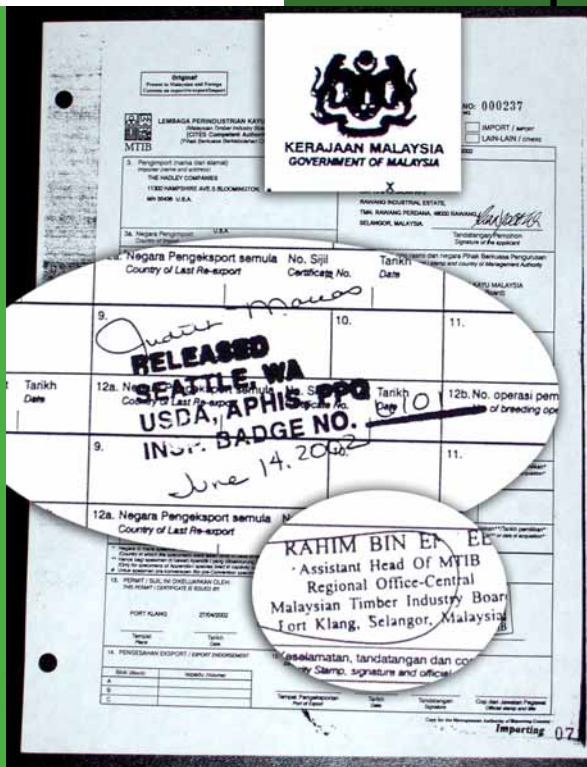
EIA compared data on US Ramin imports obtained from the US Department of Commerce's commercial "Port Import Export Reporting Service "(PIERS) and CITES permits for Ramin obtained under the US Freedom of Information Act for a ten month period between September 2001 and July 2002.¹⁴

The PIERS data revealed that the US imported at least 324 shipments containing products made of Ramin between September 2001 and July 2002 with a total declared value of approximately US \$11,388,746.¹⁵

Of these 324 shipments, 167 (51.5 percent of the total) either originated in Singapore, or used Singapore as a transshipment point. Of these 167 Singaporean shipments, 80 percent (or 134 shipments) valued at just over US \$3 million did not have any CITES permits or documentation.¹⁶

PIERS data also recorded over 600 cubic meters of Ramin products arriving in US ports that originated in Singapore between August 2001 and June 2002. US Customs did not have a single Singaporean CITES permit on file for Ramin imports occurring between September 2001 and July 2002.¹⁷

The US requires CITES listed species or products in transshipment to be accompanied by CITES permits. In contrast, Singapore Customs policy does not require any customs permit for goods which are



Top left: Malaysian CITES permit for Ramin imported into US via Singapore.

Bottom: Container ship leaving Singapore Harbor

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"discharged along wharves directly into a Free Trade Zones (sic)." ¹⁸Recent EIA and Telapak investigations have shown FTZs to be porous for certain products. Lax transshipment regulations allow CITES protected species like Ramin, African elephant ivory, tiger bone, and endangered parrots to be shipped through Singapore without regulation, control or enforcement by the Singaporean authorities.

Singapore did not amend its CITES implementing regulations to include Ramin until the beginning of January 2002, almost five months after the CITES ban on export of Indonesian Ramin came into effect.¹⁹

From January 2000 to June 2002 Singapore Customs recorded re-exports of around 85,000 cubic meters of sawn Ramin, but recorded imports of only 21,000 cubic meters - all from Malaysia.²⁰ The discrepancy of 64,000 cubic meters appears to reflect undeclared imports as Ramin does not grow in Singapore.

Since Indonesia's CITES ban on Ramin exports took effect, Singapore has recorded exports of 17,771 cubic meters of Ramin between August 2001 and June 2002. Re-exports of Ramin from Singapore amount to 167 percent of its declared Ramin imports.²¹

Between September 2001 and July 2002, PIERS data recorded 30 Ramin shipments, worth around US \$700,000 originating in Indonesia that transited Singapore on their way to the US without CITES permits.²²



Singapore's Illegal Trade

Top right: Mr. A meets with EIA investigators.

“Every month I ship about four container, five container to China...they send their production to USA.” Mr. A, April 2003

Singapore's Illegal Timber Trade

EIA and Telapak have undertaken numerous investigations in Singapore, Malaysia and Indonesia over the past five years and have gathered extensive information which demonstrates the central role Singapore plays in the illegal timber trade throughout Southeast Asia and globally. The most recent investigation in April 2003 detailed some of the particular smuggling mechanisms.

Timber processors, traders and agents located in Singapore act as the key enablers of the region's illegal timber trade. More than 150 companies are registered in the Singapore Yellow Pages as timber importers and/or exporters. The majority are based in Kranji and the industrial estate of Sungei Kadut in the North of the island, around a large canal near the causeway that connects Singapore with Peninsular Malaysia. In the Sungei Kadut industrial estate alone there are at least 40 timber dealers.

“This smuggling better than drug smuggling.”

In April 2003, EIA undercover investigators visited the bosses of two import/export companies in the Sungei Kadut area.

Mr. A (name changed) had previously openly



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explained over the phone that he was smuggling approximately one container of Ramin from Kalimantan, Indonesia, per month by using the ‘cover’ method, placing legal wood on top of illegal wood to conceal the true cargo.

When EIA investigators arrived at his company, Mr. A was in his office with another man, Mr. B (name changed). Mr. B, who owned another timber import/export company down the street, was counting stacks of US \$100 dollar bills. Mr. A laughed and said that Mr. B was ‘mafia’ and a ‘timber smuggler’. Mr. B responded ‘this smuggling better than drug smuggling’. Both proudly explained the methods they used to smuggle Indonesian Ramin into Singapore and onto the world market.

- Mr. A makes ‘illegal payments’ to obtain permits that are accepted by Singaporean customs.
- Permits for 100 tons are used to smuggle in up to 500 tons per shipment into Singapore.
- While in storage, Mr. A keeps the Ramin hidden in a container. (He brought one stack out to show EIA investigators.)
- Mr. A exports three to five containers a month of this illegal Indonesian sawn Ramin to Guangzhou Port in China under a false species names.
- Mr. A said his Chinese customers process the Ramin and sell about 30 percent for re-export to the US.

Right (two pictures): Singaporean timber smugglers counting stacks of US \$100 bills. April 2003.

Far right: Mr. A displaying his illegal Ramin stock pile, normally hidden from view.



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Smuggling Ramin into Singapore

EIA and Telapak have identified the most common entry points to be small landing sites within Singapore's Free Trade Zones (FTZs). Traditional vessels, mostly from Indonesia, dock at certain locations amidst supertankers and industrial cargo ships and unload their cargo onto trucks using mobile cranes. It is then driven out of the FTZ to mills or agents who then arrange to ship it to the world market.²³

The intent of the five FTZs in Singapore is to allow for trade with a minimum of regulation. The rationale is that they are secure and distinct from Singapore proper and therefore can be excused from national regulations without negative consequences. Evidence suggests otherwise.

In October 2002, a tip-off alerted Singaporean CITES Management Authority that a large shipment of Ramin had been collected in a warehouse on the same street as Mr. A's company. Authorities found 120 tons of Ramin without CITES permits, the result of six separate shipments, each having avoided Customs on different occasions. The known entry point of these shipments is in Jurong Port, one of Singapore's five FTZs. Somehow the six illegal shipments, each of approximately 20 tons, avoided Customs in this area and reached the heart of the sawmill district in the North of the Island. This seizure is the only Ramin seizure made to date by Singaporean authorities.

EIA and Telapak visited the FTZ in Jurong Port in April 2003 and immediately encountered a shipment of approximately 20 metric tons of sawn Ramin timber being unloaded from a wooden ship flying an Indonesian flag and manned by Indonesian sailors. When Singaporean CITES officials present asked for a permit, the captain produced a document that purported to show the timber was from Malaysia, and the shipment was allowed to continue. The Indonesian flag and crew and the low quality of wood, however, are indicators that this was also an illegal shipment from Indonesia.

EIA and Telapak have received information that routine shipments of sawn Ramin have been observed entering Singapore at other similar small landing areas within other Singaporean FTZs.

Top: Ramin being unloaded from Indonesian boat in Jurong Port, one of Singapore's Free Trade Zones, April 2003.

Bottom: 120 metric tons of illegal Ramin in Singapore warehouse.



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Singapore's Illegal Trade



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Above: Ships carrying illegal Indonesian logs waiting to clear customs in Muar, Malaysia, two hours North of Singapore by car.

Below: Smuggled Ramin logs being unloaded in Batu Pahat, Malaysia, one hour North of Singapore.

The Malaysian Connection

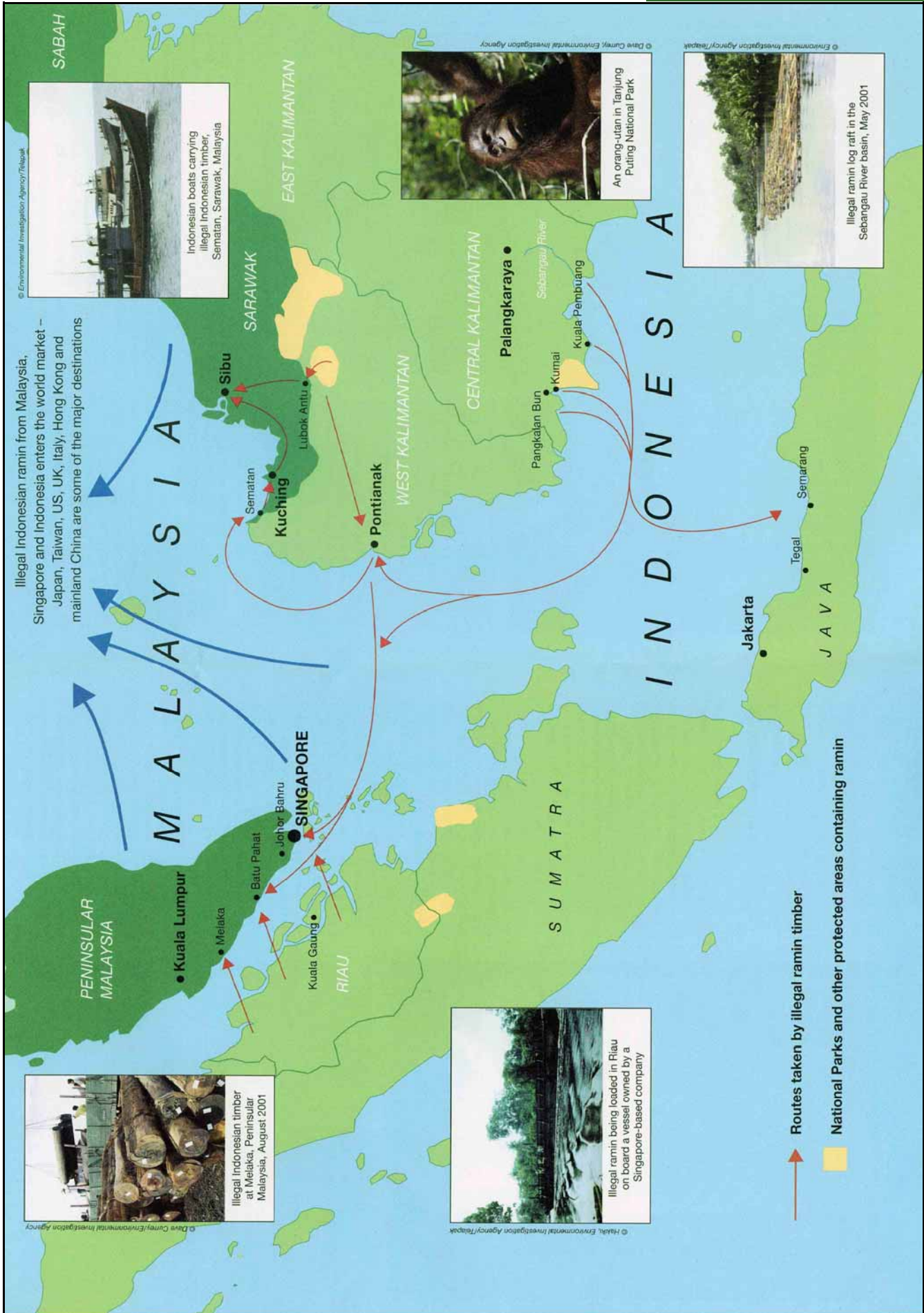
EIA and Telapak investigations have identified a variety of ports along the West Coast of Malaysia as key entry points for smuggled Ramin from Indonesia. The ports lie just north of the Malaysia-Singapore border. An estimated three to five million cubic meters of illegal Indonesian timber enters Malaysia every year. In April 2003 in Muar, Johor State, investigators observed 32 Indonesian wood vessels fully loaded with illegal logs from Sumatra in the space of just one hour.²⁴

Singapore plays a key role in the distribution of this timber to the US and the rest of the world market. Ramin said to come from Malaysia is easier to move internationally because permits are easier to acquire in Malaysia than in Indonesia.

According to statements made during a telephone survey of Singaporean importers in April 2003, the vast majority of Ramin entering Singapore originates in Indonesia, and much of it is laundered via Malaysia. A Singaporean manager of an export/import company explained, "Basically Ramin comes from Indonesia. They do the treatment and everything in Malaysia... Some of them ship through Singapore. Singapore agents do this to keep their buyers secret." He added that product smuggled this way is more valuable because Singaporean origin is seen as "a guarantee of the quality of the products." Another Singaporean trader who supplies mostly to China, where most manufacturing and re-export to the US occurs, said that while his product originates in Indonesia, "we have to ship it through Malaysia."²⁴



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Trade Routes for Illegally Sourced Ramin in South East Asia: Singapore acts as a gateway for illegal timber reaching the world market.

Recent Evidence of Singaporean Involvement in Illegal Timber Trade

The following are some recent examples of Singapore's role in the international smuggling of illegally cut timber. This is only a partial list of available information in the public domain from a vast array of published sources.

- **April, 2003:** Singaporean company offers EIA and Telapak undercover investigators smuggled Ramin from Indonesia and explains how illegally obtained permits for small amounts of the wood are used as cover to smuggle in as much as five times the amount. The wood is then shipped to China under false names, where it is processed and a portion is shipped to the US (see page 6).²⁵

- **February, 2003:** Singapore flagged and owned vessel Qing Ann was detained off Aceh, Indonesia, carrying 4,500m³ of illegal logs.²⁶

- **Early 2003:** Singapore flagged and owned vessel, Asean Premier, detained near Sorong, West Papua, with illegal merbau logs. Still under detention.⁷

- **December 2002:** Indonesian navy seizes 44 containers of illegal wood from a barge in the waters off Belakang Padang in Batam island, Riau province – 20 kilometers across the water from Singapore.²⁸

- **December 2002:** Indonesian armed forces seize three ships in waters off Karimun island in Riau carrying 225 tons of illegal processed wood including Kempas. The ships, the KM Sinar Belaras, KM Fendi Indah, and KM Kayu Lestari II, had come from the Sumatran mainland and were carrying the wood to Singapore. A fourth ship evaded capture and escaped to Singapore.²⁹

- **October 2002:** Indonesian Navy seizes tugboats carrying 85 containers of illegal processed bengkirai timber in Riau. The wood was estimated to be worth more than US \$9 million. The ships were on their way to Singapore, though the final planned destination of the wood was reportedly China.³⁰



Recent Evidence

- **October 2002:** Singaporean authorities seize 120 tons of Ramin from a Singaporean timber importer which had been imported without CITES permits.³¹

- **October 2002:** Two Singaporean timber companies openly admit to smuggling Ramin from Indonesia to Singapore and re-exporting it to the US and Europe without CITES permits.³²

- **June 2002:** Customs agents in Batam, an Indonesian island, seized two more ships destined for Singapore and carrying illegal sawn Ramin. The two ships were carrying a total of 105m3 of sawn Ramin.³³

- **June 2002:** 75 tons of Ramin and 130 tons of other wood is seized by the Indonesian navy from three ships in waters off Batam Island near Singapore.³⁴

- **January 2002:** The Singapore owned vessel Ever Wise escaped detention off Sorong, Indonesia and was subsequently arrested in China.³⁵

- **January 2002:** The Singapore owned vessel Sukaria was detained off Sorong carrying a shipment of merbau. It was subsequently released without explanation.³⁶

- **December 2001:** A Kompas news article quotes Djoko (Chairman of East Kalimantan MPI – a timber industry association) saying that "the wood industry in Jakarta is importing Ramin from Singapore which has no Ramin forest". He states illegal Indonesian Ramin is being smuggled to Singapore, legalized and shipped back to wood product factories in Indonesia.³⁷

- **November 2001:** Singapore flagged and owned vessel the Mandarin Sea was detained off Central Kalimantan, carrying 12,000m3 of illegal logs. The Ship is linked to Tanjung Lingga, a company implicated in illegal logging in Tanjung Puting National Park.³⁸

- **August 2001:** A Singapore timber exporter surveyed was found to be expecting a sawn Ramin shipment from Kalimantan, Indonesia imminently. This occurred one week after Indonesian export restrictions on Ramin went into effect.³⁹

- **March 2001:** 100 tons of processed illegal Ramin intended for Singapore was seized by Riau police aboard two boats. Two boat captains were arrested. One of the captains stated that 45 boats go back and forth to Singapore each day carrying



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processed timber, which would suggest traffic of 100,000 cubic meters a month.⁴⁰

- **August 2000:** A cargo ship was stopped by Indonesian authorities off the coast of Riau province in Indonesia, on its way to Singapore, with illegally sourced Meranti.⁴¹

- **August 2000:** An NGO investigation discovered barges being loaded with Ramin in Kuala Gaung in Riau province, where there were no legal concessions. The barges bear the logo of a Singaporean company.⁴²

- **May 2000:** Indonesian port officials forced by local activists to order a cargo ship bound for Singapore back to Pontianak, Indonesia. Only seven out of the 42 containers of timber onboard had proper documentation.⁴³

Facing page and Top: Singapore owned vessel Mandarin Sea with 12,000 m³ of illegal Indonesian logs.

Bottom: Illegal Ramin loaded onto a barge in Sumatra, owned by a Singaporean company.



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The Ramin Story

In 2001, the Indonesian government identified Ramin as being so threatened by powerful timber barons that it turned to the international community for help.

The Ramin Story

Many tropical forests in East Asia are under threat from human induced causes, but certain high value species are specifically targeted for the international timber trade, such as Ramin (*Gonystylus spp.*). This wood is imported to the US for picture and futon frames, moldings, pool cues and other products. It is a tropical hardwood that grows in the lowland freshwater swamps and peat swamp forests of Borneo, Sumatra, and Peninsular Malaysia. This means that all Ramin on the international market originated either in Indonesia or Malaysia.

All 27 of the different species of Ramin have been classified as vulnerable.⁴⁴ In 2001, the Indonesian government identified Ramin as being so threatened by the illegal practices of powerful timber barons that it turned to the international community for help and banned all export of the species (except for one small licensed concession in Northern Sumatra) effective on August 6th, 2001. Selective illegal logging of high value export species like Ramin 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 national parks that stand to be destroyed by international trade in this species are home to some of most spectacular biodiversity left on earth. Tanjung Puting National Park, for example, is a conservation area of global importance, providing an island of biodiversity amid the rapidly diminishing forests of Borneo and is one of the most valuable remaining habitats for the critically endangered Orangutan. It is recognized as a World Biosphere Reserve by the United Nations⁴⁵ and forms the largest protected area of swamp forest in South East Asia.⁴⁶ Since 1998, EIA and Telapak investigators have exposed the practices of Abdul Raysid, a powerful timber baron who has decimated much of the park to extract Ramin and other species. Raysid stands accused of bribery, kidnapping, and violence⁴⁷ and was the focus of a letter sent to President Megawati of Indonesia by 12 US Senators in November 2002, calling for his prosecution.

Ramin, CITES, and Singapore's Obligations

CITES is an international treaty which 155 countries, including Singapore, 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 listed on one of three lists – Appendix I, II and III. Listings on Appendix I offer the highest level of protection and such a listing means that no commercial trade that particular species is permitted. Appendix III includes species subject to regulation within a particular member country and for which the cooperation of other member countries is needed to control cross-border trade.

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.

The listing of Ramin wood on Appendix III came into effect on August 6th, 2001 and applies to all Ramin wood and Ramin wood products. Indonesia coupled the listing with a national ban on the cutting, trade and export of Ramin. Other than for a small amount of wood originating with a company in Sumatra which has been certified as sustainable, no Ramin has been granted an export permit by the Indonesian government since December 31, 2001. Ramin is also found in lesser amounts in Malaysia, and exports from Malaysia now require a Certificate of Origin.

According to its treaty obligations, Singapore must only allow the import of Ramin if it is accompanied by a CITES permit, and re-export is only allowed for wood that has been legally imported. All shipments of Ramin entering the US also require CITES permits.

In January, 2002, more than five months after Indonesia banned the export of Ramin, Singapore added Ramin to Schedule II of its Endangered Species (Import and Export) Act, which implements CITES commitments in Singapore. The extent of continued smuggling in the species shows that Singapore has failed to enforce its own environmental legislation, allowing Singaporean companies to reap significant profits in the process.

Below: Log raft in Tanjung Puting National Park, August 2002.





Top: Illegal logging in Gunung Leuser, Sumatra.

Bottom: Illegal Ramin logs being processed in Kalimantan, Indonesia.

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The Global Impact of Illegal Logging

Illegal logging takes place when timber is harvested, transported, bought or sold in violation of national laws and 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 the US, Europe, Japan and China in the form of timber, furniture or other products.

In Indonesia, for example, an estimated 72.5 percent of logging is illegal, and as a result the annual log harvest is more than three times the sustainable yield.⁴⁸ 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.⁴⁹ It is predicted that at this speed Indonesia's lowland dry forests will have completely disappeared by 2010.⁵⁰

Illegal logging and forest destruction have devastating long-term effects. 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.⁵¹ All too often money which should be going to fund schools, hospitals and clean drinking water in developing countries instead finds its way into the pockets of illegal timber barons, corrupt enforcement personnel and politicians. The wood furniture, blinds or flooring made from illegal logs can then be sold in the US and other consuming countries at a discounted price.

None of the major consuming countries yet have laws banning the import of illegally sourced timber or wood products.



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Top: part of 120 metric tons of illegal Ramin in a warehouse in Northern Singapore, April 2003.

Bottom: Ramin being unloaded in Jurong Port, Singapore, April, 2003.

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Singapore: Opening a Door to Asia's Environmental Crime?

Singapore is of enormous importance in the facilitation of both regional and international trade. Its geographic position, numerous ports and loose rules of commerce have created an effective gateway for the products of Asia and the world to pass through. Many of these products are shipped to the US, which is Singapore's second largest trading partner. In return, Singapore is the US's eleventh largest trading partner.⁵²

The importance of Singapore as a transshipment and re-export hub in international and regional trade is underlined in the US Trade Representative (USTR) Environmental Review of the Free Trade Agreement.

Singapore is a leading advocate of trade and investment liberalization in both ASEAN and APEC. It is a regional hub for Asian trade, with more than 40 percent of its total exports consisting of re-exports of products from other countries. In 1999, its exports to the world totaled \$114.6 billion, while exports of Singaporean domestic products totaled only \$68.6 billion. Similarly, total imports measured \$111.0 billion in 1999, while imports for domestic consumption measured \$73.3 billion.⁵³

A key reason behind Singapore's success as an international trade transshipment point lies in its lax Customs policies regulating transshipment and re-export. These policies were designed for the express purpose of expediting trade and easing the burdens of both Customs officers and importing/exporting companies.

All trade entering Singapore must first be deposited in one of Singapore's five FTZs. All dutiable goods can then be stored (for eventual re-export), repacked, sorted and reconditioned in the FTZs (with the permission of Singapore customs). Pink or White Transshipment Permits are required under certain conditions: 1) pink, if there is no local consignee and if cargo will be restuffed into another container; 2) white, if there is a local consignee and if cargo will be restuffed into another container. However, if cargo will remain in the same container it arrived in, and it will be shipped out of the country from the same FTZ, the cargo needs no transshipment permit. Finally, no transshipment permits need to be produced for containerized cargo moving from one FTZ to another.⁵⁴

Generally, Singaporean Customs procedures lie in sharp contrast to those of the US. According to US Customs procedures, once a shipment enters the port and is placed "in bond," it is secure and cannot be touched. In US Customs warehouses, for example, it is not legal to unpack containerized cargo.⁵⁵ The Singaporean Customs policies instead place a much higher priority on efficient movement of goods as they are transshipped through the country's ports, providing valuable loopholes for smugglers to disguise and re-export illegal cargo.



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CONCLUSIONS

The nature of a free trade agreement is to facilitate and increase trade between the parties involved and in so doing create an economic path towards closer relations. One side effect of such trade liberalization, however, can be the stimulation of illegal trade between the countries involved.

The Office of the US Trade Representative (USTR), which negotiated the Singapore-US agreement, clearly concedes the point regarding to illegal logging originating in Asia, in its Draft Environmental Review which states:

...(I)nternational trade can play a role in stimulating, enabling or rewarding illegal activities in a number of Asia-Pacific countries where illegal logging has been identified as a significant cause of deforestation...Transshipment, including shipment through ports such as Singapore, increases the difficulty of determining both the country of origin of the timber and whether or not it was illegally harvested...Illegal logging and associated illegal trade in Ramin have been identified as a significant and continuing problem. The United States is an important market for Ramin products and transshipment through Singapore appears to be a factor in illegal ramin trade.⁵⁶

However, the review inexplicably goes on to conclude that "the FTA is not expected to result in significant shifts in the pattern of timber trade through Singapore." In a damning analysis of this review, the World Wildlife Fund challenges the USTR's optimistic view of the agreement's environmental implications.

The Draft Environmental Review recognizes that illegal logging is a significant environmental issue in Asia-Pacific countries, that Singapore is a transshipment area for illegally harvested timber and that 'international trade can play a role in stimulating, enabling or rewarding illegal activities in a number of Asia-Pacific countries.' Given this context, based on what evidence does the Draft Environmental Review conclude that the FTA is not expected to result in significant shifts in the pattern of timber trade through Singapore? ⁵⁷

Based on the evidence presented in this report, EIA believes that the US-Singapore Free Trade Agreement, as it currently stands, will inevitably increase illegally produced timber imports transshipped through Singapore into the US. The US is the world's largest importer of timber, with imports of wood and wood furniture imported totaling around \$25 billion annually. It is a vast consumer of tropical hardwoods, including Ramin. Many timber producing countries such as

Indonesia suffer from widespread illegal logging that causes untold environmental, economic and social problems. Timber products made from trees illegally felled in Indonesia are smuggled through Singapore to markets around the world, including the US.

The trail of culpability is clear. If the US does not act to forestall illegal imports of timber from Singapore it will be failing in its responsibility to the peoples of Asia, whose natural resources are being systematically plundered, and to the global environment.

Moreover, if the US does not act now, the problem will spread. Singapore is a regional hub for Asian trade with more than 40 percent of its exports made up of re-exports of products from other countries. Additional free trade agreements under negotiation between Singapore and other Asian nations, including China and Japan, will increase the flow of trade into and out of the city-state and into the voracious US market. Japan is the world's second largest timber importer and China is the third. By signing this agreement without sufficient environmental safeguards the US is opening itself up to a flood of uncontrollable imports of illegally cut timber, endangered wildlife products and prohibited ozone depleting substances from across Asia.

The USTR's Office may be content with turning a blind eye to the enormous environmental consequences that will result from the signing of this agreement, but the US Administration and Congress cannot afford to be so cavalier. The Administration must act to ensure that implementation and enforcement of the FTA become tools to persuade Singapore to raise its standards in regulating environmental trade, rather than a means by which illegal timber and other products enter with impunity into the United States.



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**Top: Tanjung
Puting National
Park, Indonesia.**

RECOMMENDATIONS - Singapore

1. Singapore should enact a new law to ban the import, export, transshipment, purchase, or sale of illegally produced timber.
2. Singapore should ban all trade in Ramin including transshipments through its territory.
3. Singapore should enter into bilateral or multiparty agreements with major timber producing and trading countries in the Asian region to agree to a licensing system for legally produced timber and use such a system to eliminate trade in such timber and timber products.
4. A new regional multinational enforcement body should be established with Singapore and other major timber producing, consuming and processing countries in the Asia Pacific region to target trade in illegally produced timber.
5. As part of this new enforcement effort, Singapore should establish a dedicated government enforcement agency that proactively targets environmental crimes involving trade in illegal timber, wildlife products and ozone depleting chemicals, particularly those linked

with import, export and transshipment through Singaporean territory.

6. Singapore should overhaul its customs laws and regulations to close loopholes that allow uncontrolled access to, and movement of goods in customs ports, warehouses and airports without proper scrutiny. Repackaging and processing of goods in transshipment or under customs control should be banned.
7. The Singapore Government should formally endorse the Bali Ministerial Declaration of the East Asia Forest Law Enforcement and Governance (FLEG) Conference and draw up an action plan to pursue the commitments contained therein.
8. Singapore should adopt a policy of transparency concerning its trade in environmentally sensitive goods and ensure transparent access to key data concerning trade with Indonesia, timber trade, wildlife products and data concerning companies authorized to trade in ozone depleting chemicals.



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RECOMMENDATIONS - United States

1. The United States should enact a new law to ban the import, export, transshipment, purchase, or sale of illegally produced timber.
2. The US should enter into a bilateral agreement with Singapore as an annex to the Free Trade Agreement to establish a licensing system for legally produced timber and expand participation to create a multiparty agreement with the key timber producing and trading countries in the Asian region to eliminate trade in illegally produced timber and timber products.
3. The US should facilitate the establishment of a new regional multinational enforcement body with Singapore and other important timber producing, consuming and processing countries in the Asia Pacific region to target trade in illegally produced timber and offer to provide technical and training assistance to the member states of the new body.
4. The US should establish an enforcement task force to work in close co-operation bilaterally with a new parallel Singapore government enforcement agency to share information, promote coordination and

proactively target environmental crimes involving trade in illegal timber, wildlife products and ozone depleting chemicals linked with import, export and transshipment through Singaporean territory.

5. The US should use the provisions of the US-Singapore Free Trade Agreement to ensure that Singapore upgrades its customs laws and regulations to close loopholes that allow easy movement of goods into customs ports, warehouses and airports without proper scrutiny and to prohibit the repackaging and processing of goods in transshipment or under customs control in Singapore.
6. The US should support high level efforts to encourage the Singapore Government to formally endorse the Bali Ministerial Declaration of the Forest Law Enforcement and Governance (FLEG) and an action plan to adhere to FLEG commitments.
7. The US should ban all trade in Ramin and encourage all other Ramin consuming countries to suspend trade in Ramin indefinitely.

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