

TIMBER TRAFFICKING



**Illegal Logging in Indonesia, South East Asia
and International Consumption
of Illegally Sourced Timber**



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Front Cover: Illegally sourced logs from Indonesia arriving in the Malaysian port of Melaka, 11th August 2001

front & back cover photos : © Dave Currey/Environmental Investigation Agency



Left: Orang-utans could be extinct within a decade as a result of the destruction of their forest habitat

© Dave Currey/Environmental Investigation Agency

Introduction

Last year an adult wild male orangutan stumbled into the main street of a timber town in Kalimantan, Indonesia. He was bewildered and stared at the crowd of local people who had gathered to watch this extraordinary sight. Across the world an American, Japanese or European consumer casually ordered a picture frame, or bought a broom with a wooden handle, a futon bed or a piece of Italian furniture. Without realising the consequences of their actions, these people are buying products that were likely to have been made from timber looted from rainforests like the one that was once home to this orangutan, now driven from his protected forest by commercial illegal logging.

For the last two decades the international community has been aware of rampant logging of tropical forests and vanishing biodiversity but it has taken all this time to seriously seek solutions to this desperate situation. This is not about subsistence logging by local people. It is about the highly organised and vastly profitable international trafficking of timber stolen from the world's dwindling tropical forests.

Illegal logging is estimated to represent 73 per cent of log production in Indonesia, 80 per cent in Brazil and 50 per cent in Cameroon,

three of the world's largest tropical timber suppliers. Yet even if you could track an illegally cut tree from a National Park in one of these countries to a port in a timber consuming country, and supply conclusive evidence that it was illegally cut, none of the consuming countries have legislation in place that would allow their enforcement authorities to seize the shipment. By turning a blind eye, consuming nations are colluding with the corrupt timber bosses that provide the chainsaws.

In Indonesia, political instability and the economic crisis have created a situation where law enforcement has broken down. It is widely accepted that the military and police are making huge amounts of money from illegal logging and in the last few years only a few people have been prosecuted. Even Indonesia's National Parks are being rapidly destroyed.

It has taken two years of enormous national and international effort and publicity to get the authorities to act to reduce illegal logging in Tanjung Puting National Park in Central Kalimantan, one of the last strongholds of the orangutan, Asia's only Great Ape. Although the flow of timber from the west of the park has now been stemmed, it continues unabated in the east and the man most responsible for the park's destruction, politician and timber baron Abdul Rasyid, has yet to be prosecuted.

By turning a blind eye, consuming nations are colluding with the corrupt timber bosses that provide the chainsaws



Above: Illegal logging in Gunung Leuser National Park, Sumatra

There have been some efforts by politicians and government officials to tackle illegal logging in Indonesia, and the former Minister of Forests banned all cutting and trade in ramin, to try and reduce the pressure on this valuable species and the last areas of swamp forest where it grows. Indonesia has placed ramin on Appendix 3 of the Convention on International Trade in Endangered Species (CITES) with a zero quota, to seek international support for their actions. Yet EIA and Telapak Indonesia investigators have already witnessed illegally cut ramin freely entering ports in Malaysia, the only other producer-country of ramin.

At a newly built Malaysian timber-processing yard EIA and Telapak observed immigration facilities provided for Indonesian seamen, designed to ease the flow of the illegally sourced timber. In Sarawak the state-owned Harwood Company accepts unmarked illegally sourced timber and provides it with the necessary Malaysian paperwork, effectively laundering Indonesian timber on to the world market.

Indonesia is by no means unique in suffering from rampant illegal logging. Across South East Asia the pattern is repeated, with huge quantities of stolen timber flowing across the region's borders and onto the global market.

Illegal logging is often portrayed as small communities cutting a few trees that they were not legally entitled to cut. It is time we dispelled this myth once and for all. In the long run it is the small communities that have the most to lose with their forests destroyed and their resources stolen. The scale of illegal logging is enormous

with huge commercial interests at stake.

Illegal logging provides the greediest section of a society with increased wealth and power. It weakens local communities and breaks down the rule of law. It creates a situation where law-abiding citizens find it difficult to exist without buying into the lawlessness. It thrives on corruption, bullying and violence. Local people lose their resources and central government is cheated out of revenue.

There are a few welcome signs that this plunder of the forests is at last beginning to receive the attention it deserves at government level. The G8 nations have accepted that action needs to be taken and the UK government has started to draw up policy options for these nations plus the European Union. The first regional ministerial conference on Forest Law Enforcement and Governance is taking place in South East Asia which provides an opportunity to look at real solutions to the complex political, environmental and social issues that illegal logging raises.

It is already too late for hundreds of thousands of forest dwelling people who have lost their homes and for vast tracts of dense forest biodiversity including some of the last strongholds of the endangered orangutan. Consuming nations must legislate to stop illegally sourced logs and timber products entering their markets, and timber-producing countries must fight the corruption at the core of this issue and co-operate regionally. It will take political courage to act now, but if solutions are not found quickly, it will already be too late for some of the world's last tropical forests.

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The scale of illegal logging is enormous with huge commercial interests at stake

Consumer Culpability

Rampant illegal logging of most of the world's remaining tropical forests is a direct result of the massive demand for cheap and plentiful tropical timber in the consuming markets of the US, European Union, Japan and China. The voracious appetite for tropical timber in the world's most affluent nations, plus the emerging

Chinese economy, corrupts and devastates the developing countries that feed them.

With the major tropical timber exporters such as Indonesia, Brazil and Cameroon suffering an illegal logging rate of at least half the total timber production, it is evident that huge quantities of illegal timber are entering the consuming markets unchecked. To date both governments and industry in consuming nations have failed to take steps to eliminate illegal



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Left: Barge towing logs, Osaka Port, Japan. Japan is the world's largest consumer of tropical timber



© Greenpeace

Above: Ramin kitchen cabinets on sale in the US

timber from the supply chain, and are often content to turn a blind eye.

It is ironic that while the world's most affluent nations pay lip-service to the problem of deforestation and pour millions of dollars into conservation schemes in countries like Indonesia and Brazil, they are failing to adequately address the problem at home. While a proportion of illegally-logged timber is used within the producing nations, it is the high prices on the international market for commercial export species which is fuelling current patterns of tropical forest destruction.

The G8 group of leading nations has made a series of public pronouncements concerning the need for sustainable forest management, yet continues to import vast amounts of timber, much of it illegal at source. In 1996 the G8 plus the EU imported 280 million cubic metres of wood products, equivalent to 74 per cent of the world's imports of timber and timber products¹. The major suppliers to the G8 are the countries suffering the highest rates of illegal logging. For instance the US alone imported over \$450 million worth of timber from Indonesia in 2000². Based on an illegal logging rate of 70 per cent in Indonesia, the inference is that the US imported over \$330 million worth of timber stolen at source in Indonesia in a single year.

In its 1998 Action Programme on Forests the G8 notes that 'international trade in illegally harvested timber exacerbates the problem of illegal logging' and commits its members to 'identify and assess the effectiveness of their internal measures to control logging and international trade in illegally harvested timber and identify areas needing improvement'³. Yet to date no G8

member has enacted legislation allowing illegal timber originating from outside its own boundaries to be seized. If it could be categorically proven that a consignment of timber entering a G8 country had been acquired illegally in the exporting nation, it would still be allowed to proceed to its destination.

The European Union is a major recipient of illegal tropical timber, but has failed to implement policy initiatives to stem the flow. In 1999 the EU imported 10 million cubic metres of tropical timber with almost half coming from just three exporters – Indonesia, Brazil and Cameroon⁴. By analysing these imports in conjunction with illegal logging rates in the major supplying countries it can be estimated that half of the tropical timber imported into the EU is illegal at source, worth around \$1.5 billion annually.⁵

Within the EU the United Kingdom stands accused of being the largest importer of illegal tropical timber. In 1999 the UK imported 1.6 million cubic metres of tropical timber, with 92 per cent supplied by just three countries – Indonesia, Malaysia and Brazil. It is estimated that 60 per cent of the UK's tropical timber imports are illegal at source – imports which in 1999 were worth around \$200 million. The UK alone accounts for one-fifth of illegal tropical timber entering the EU.⁶

France is the second biggest importer of illegal tropical timber in the EU, with around half of its annual imports of 900,000 cubic metres derived from illegal sources, followed by Belgium, Germany and the Netherlands. The EU's irresponsible consumption of tropical timber, with no heed as to its source, is directly responsible for forest destruction in South America, West and Central Africa and South-East Asia. It's consumption of illegal tropical timber alone is equivalent to over 700,000 hectares of tropical rainforest being logged every year.⁷

The timber markets of East Asia are equally culpable of driving illegal logging through unfettered demand for timber. Japan imports around one third of internationally traded wood products and imports more logs and plywood than any other country in the world.⁸ Most of Japan's tropical timber originates in Malaysia and Indonesia, and based on illegal logging rates in these countries 50 per cent of Japan's tropical timber imports are illegal at source.⁹

While Japan's over-consumption of tropical timber has already laid waste to large swathes

half of the tropical timber imported into the EU is illegal at source, worth around \$1.5 billion annually



of rainforest, a more recent threat has emerged in China, where timber imports have risen dramatically in the last few years. China has commendably sought to slow deforestation within its own borders through tough logging controls. Yet the emphasis on supply controls rather than demand has prompted a flood of illegal timber entering the country.

Between 1997 and 2000 China's domestic timber production fell by 97 per cent, to just one million cubic metres a year. At the same time recorded log imports have soared from five

million cubic metres in 1997 to 15 million cubic metres in 2000.¹⁰

The discrepancy between current timber demand in China of 260 to 280 million cubic metres a year, and the documented supply of only 140 million indicates substantial imports of illegal timber. Left unchecked the situation will worsen, as by 2025 China is predicted to have an annual wood deficit of 200 million cubic metres per year.¹¹ Recent trade statistics show that China is now one of the main two recipients of Indonesian timber.¹²

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Illegal Logging: Definition and Impacts

Illegal logging takes place when timber is harvested, transported, bought or sold in violation of national laws. Illegalities occur right through the chain from source to consumer, from illegal extraction, illegal transport and processing through to illegal export and sale, where timber is often laundered before entering the legal market.¹³

Illegal logging is rife in all the major tropical timber producing countries, for example:

Indonesia – over 70 per cent of log production is derived from illegal sources, equivalent to 50 million cubic metres of timber every year.¹⁴

Brazil – in 1998 the Brazilian Secretariat for Strategic Affairs reported that 80 per cent of logging in the Brazilian Amazon was illegal, equivalent to 20 million cubic metres of timber.¹⁵

Cameroon – half of all timber is sourced through illegal logging.¹⁶

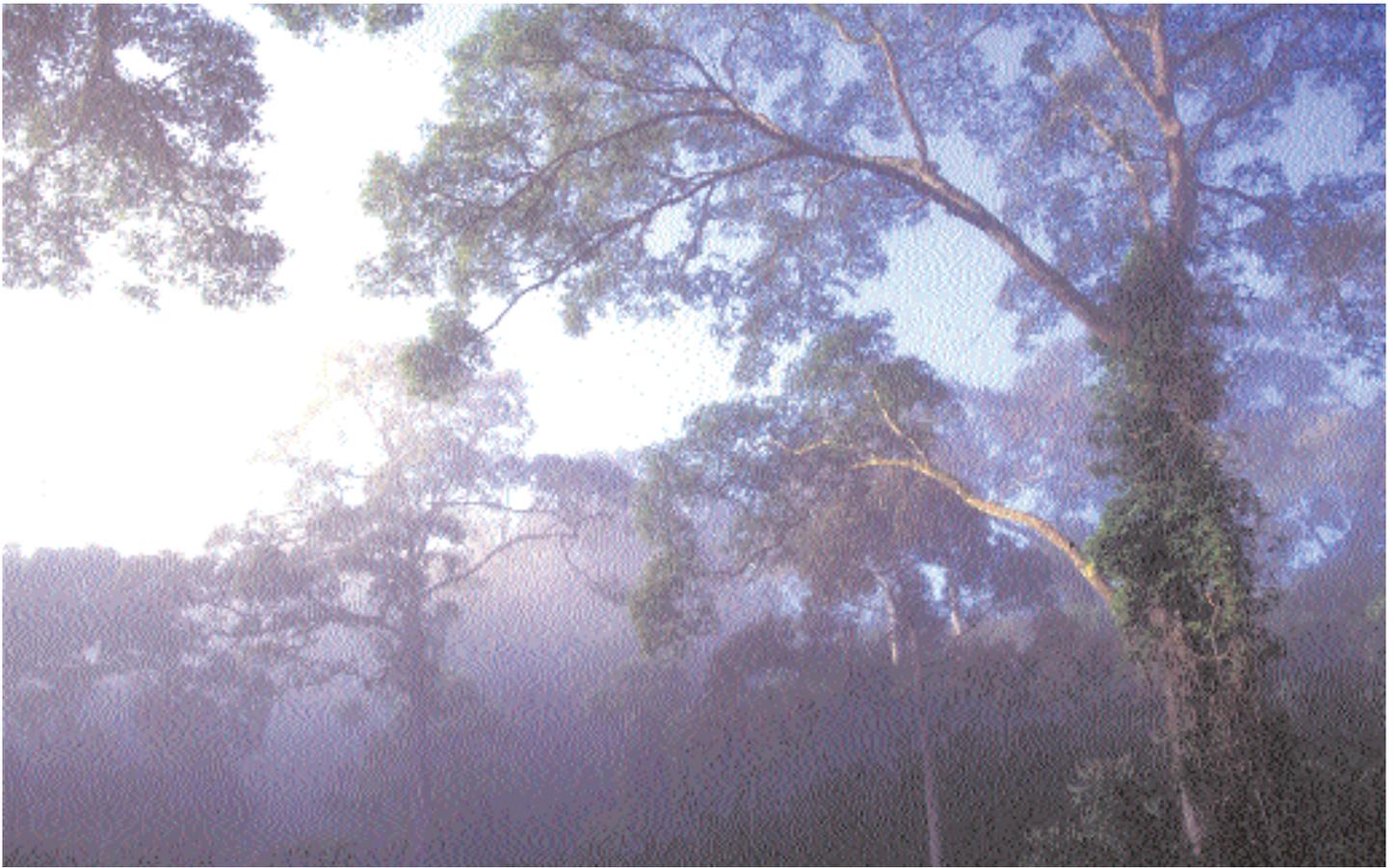
It is clear from the illegal logging rates in tropical timber exporting nations that a vast quantity of black market timber is being traded around the world, representing at least half the total global trade and worth billions of dollars annually.

The consequences of the huge uncontrolled global market in stolen timber are exacerbated by key characteristics of illegal logging:

- It targets the most commercially valuable tree species. In Indonesia loggers working

inside Tanjung Puting National Park have removed vast quantities of ramin, a valuable hardwood classified as vulnerable.¹⁷

- It is disproportionately focused on protected forest areas and so threatens vital areas of biodiversity. At least five 'protected areas' in Indonesia where the endangered orangutan is found in viable numbers are currently subjected to widespread logging.
- It is focused on natural forest areas. A survey of 200 areas of high biodiversity around the world found 65 per cent threatened by illegal logging.¹⁸
- It is high impact logging, with no thought for future sustainability.
- It causes governments to lose much-needed revenue. Indonesia, yet to recover from the financial crisis of the late 1990s, loses \$125 million a year due to the activities of just 18 illegal logging syndicates.¹⁹
- It creates social strife and fosters corruption. In Cambodia the profits from stolen timber have been used to fund both the government military and the Khmer Rouge.²⁰
- It undercuts legal timber on the international market. The supply of cheap illegal logs to Indonesia's bloated plywood sector has left plywood producers committed to sustainable supplies unable to compete.²¹



© Michael Marchant / Environmental Images

Above:
The rainforests
of South East Asia
are shrinking

Forest Plunder in South-East Asia

The issue of illegal logging within this region is not just about the illegal cutting of trees. Corruption, bribery, fraud and in some cases extreme violence are all part and parcel of the trade in illegal timber. Illegal logging exploits the poor, takes away revenue for the state and puts into the hands of the powerful, finances which enable them to buy political power and ensure vast fortunes all at the cost of a country's natural resources.

The forests of South-East Asia have been decimated by unconstrained logging, much of it illegal, over the last two decades. Current patterns of forest exploitation in the region threaten ecological security, biodiversity, and the livelihoods of millions of people who live in the remaining forest areas.

As a whole the Asia-Pacific region contains 17 per cent of the world's remaining forests, but has lost 88 per cent of its original frontier forest area. While the South-East Asian region contains six per cent of the world's forests, it has global significance in terms of biodiversity.¹

This precious resource has suffered severe

damage through illegal exploitation. In the Philippines 16 million hectares of natural forest have been reduced to just 700,000 hectares, with illegal logging causing much of the destruction². In the mid-1990s one third of all logging in Malaysia was illegal, while at the same time illegal timber export from Burma stood at 276,000 cubic metres, generating \$86 million a year³.

Within South-East Asia illegal logging is a regional problem which cannot be adequately addressed at the national level. Much of the illicit timber flows across porous borders, where neighbouring states often legitimise the timber by issuing paperwork to mask its true origin. Illegal timber smuggling has been documented across the region – from Indonesia to Malaysia, Singapore and China, from Cambodia to Thailand and Vietnam, and from Burma to China.⁴

The timber processing and export industries in several countries in the region, notably Malaysia, Thailand and Singapore, have profited from a regular and cheap supply of raw materials smuggled from neighbouring states. In both Malaysia and Indonesia the bloated timber processing industry has been allowed to expand at a rate disproportionate to the amount of legal and sustainable timber available.

Unilateral actions have exacerbated the

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problem. In 1989 Thailand introduced a logging ban revoking logging concessions in all forests. The result of this ban has been a dramatic fall in Thailand's legal domestic timber production, a surge in illegal imports from neighbouring countries such as Burma, Cambodia and Laos, and an increase in illegal logging.⁵ As a result, by 1992 Burma was exporting around 1.7 million cubic metres of illegal timber to Thailand.⁶ A similar pattern has been observed recently in China as a consequence of stringent domestic logging controls introduced in 1998, only on a much larger scale. The Chinese government has also slashed import tariffs, prompting a massive flow of both legal and illegal timber into the country.

There has been a dramatic global shift in the production and consumption patterns of the tropical timber industry in both the South-East Asian region and the wider area of East Asia. With the region's own forest resources depleted at a rapid rate Asian logging companies have expanded their operations around the world, notably in South America and Africa. Around 90 per cent of the global tropical timber trade is controlled by Asian logging companies, and 80 per cent of all tropical timber exports go to China, Japan, Malaysia, Indonesia, Taiwan and South Korea, either for consumption or processing.⁷

The consequences of such a massive and institutionalised plunder of forest resources within the region are not merely environmental degradation, but impact the wider society. Corruption, bribery, fraud and in some cases violence are engendered through the trade in illegal timber. Illegal logging exploits the vulnerable who are paid a pittance to log, and takes away revenue for the state by putting it into the hands of the powerful timber syndicates and bosses, allowing them to buy influence and accrue illicit fortunes at the expense of a country's natural resources.

Enforcement in the region has been woefully inadequate. While stringent laws requiring authorisation to cut, transport, process and export timber exist in most of the countries, they are simply not enforced, either through under-capacity or the complicity of officials in the illegal timber trade.

As well as enforcement, political will is vital to ensure that existing laws to protect a country's forest are implemented no matter how powerful the individual that commits forest crimes. In many cases political decisions are made in terms of profits or personal gain rather than for the wider national interest. Good governance will never be achieved unless the issue of corruption is addressed at the same time that forest laws are enforced.

Enforcement in the region has been woefully inadequate

Below: Logs waiting to be shipped in Borneo





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A Regional Overview of South-East Asia

Burma

Fifty per cent of Burma's total land area is covered by forests, of which 18.6 per cent is protected. Although declared export earnings from teak and hardwoods totalled \$201 million for 2000⁸, these official figures do not reflect the true amount exported as a substantial black market in timber exists between Burma and its neighbours – principally China, Thailand and India. Logging bans in both Thailand and China have resulted in a greater flow of illegal timber from Burma to help satisfy an insatiable demand for tropical timber.

In 1988, in desperate need of funds the Ministry of Forests awarded 42 five-year logging concessions to 36 Thai companies, increasing the area of forest being logged by three times. Despite this officially sanctioned expansion, illegal logging and cross-border timber smuggling also increased. In 1992 the Burmese regime cancelled all Thai logging concessions but this did not stop the flow of

illegal timber from crossing the many borders Burma shares with its neighbours.⁹

By 1994 Thailand's reported log imports from Burma were four times higher than Burma's declared exports. Burma declared no log exports to China in 1995, yet China recorded imports of 500,000 cubic metres.¹⁰

Cambodia

In 1997 illegal logging in Cambodia stood at over four million cubic metres annually, ten times the legal production, and was costing the government over \$180 million in lost revenue¹¹. Field research reveals the movement of illegal timber across borders into the neighbouring countries of Thailand, Vietnam and Laos.

In May 2000 it was reported that illegal exports to all of Cambodia's neighbours were continuing, and involved the collusion of the Laotian, Thai and Vietnamese authorities. Between November 1999 and April 2000 around 130,000 cubic metres of illegal timber from Cambodia entered these three countries.¹²

Timber illegally felled in national parks in Cambodia has been tracked moving along logging roads crossing the border into

By 1994 Thailand's reported log imports from Burma were four times higher than Burma's declared exports



Vietnam. In 1998, 200,000 cubic metres of illegal logs from Ratanakiri Province moved across the land border into Vietnam. Garden furniture imported into the UK was marketed as coming from well-managed forests in Vietnam, but the true origin was Cambodia.¹³

Laos

Laos has significant problems in the protection of its forests. Forest cover in the country has dropped dramatically from 70 per cent of the land area in 1940 to less than 40 per cent today, and a large part of this can be attributed to illegal logging.¹⁴ A year ago it was reported that community groups in Laos estimate that the volume of illegal logging is at least one-sixth of the legal harvest.¹⁵

Laos has an export ban of teak from the country, but despite this, rampant commercial illegal logging occurs and in most cases Thailand is reported to be the main importer of both teak and rosewood. Laotian statistics on logs exported to Thailand are only half of the volume recorded as imported from Laos by Thai authorities.¹⁶ As a result of the amount of illegal timber in the system, in 1997-8 the State received only a third of the royalties owed from logging.¹⁷

Malaysia

In the mid 1990's it was estimated that one third of all logging in Malaysia was illegal¹⁸ – yet few successful prosecutions have been made.¹⁹ Ten years on from recommendations by an International Tropical Timber Organisation mission to Sarawak to dramatically reduce the log harvest, the State continues to log far in excess of the volumes considered to be sustainable.²⁰

As domestic supply of logs has declined, Malaysia's timber industry has increasingly exploited instability and poor enforcement in neighbouring Indonesia to secure plentiful supplies of cheap illegal timber. In the quest for tropical timber Malaysian logging companies have also expanded their operations into rainforests across the tropics, and have been implicated in illegal logging activities in a number of countries including Cambodia and Papua New Guinea.²¹

See 'Indonesia's Illegal Logging Epidemic' for detailed information on Malaysian imports of illegal timber.

Thailand

Thailand's porous border with Burma provides a convenient cover for illegal timber stolen from national parks and forest plantations



Left: Illegally sourced logs from Indonesia being unloaded in Melaka, Peninsular Malaysia, August 2001



**by 1998
seventy fully
laden trucks
of logs
illegally cut
in Cambodia
were
crossing the
border into
Vietnam
each day**

within Thailand but claimed to come from its neighbour. In January 1998 it was reported that a sawmill in Tak province had its licence suspended after 13,000 teak logs from Salween National Park were found at the mill. In a later inspection of the logs it was found that 4,000 of the confiscated logs had gone missing.²²

At the same time the Thai government was under pressure from Thai timber companies to re-open a border check point to allow 'left over' timber from Burma into Thailand for export. This was known to be a way to smuggle illegally felled teak logs out of the Salween National Park and falsely document them as Burmese logs.²³ It has been estimated that 1.5 million teak logs have been illegally felled from the Park and bribes worth Bt100 million (\$2.7 million) had been offered in exchange for the teak logs from Thailand to be falsely documented as being felled in Burma.²⁴

Illegal logging in Thailand's National Parks are not the only source of illegal timber.

Illegal logging also occurs in the Forest Industry Organisation's plantations in the north of the country. It has been reported that ten forest plantations in the area are threatened by illegal loggers.²⁵

A logging ban introduced in 1989 meant a dramatic decline in the availability of legal domestic timber, and resulted in Thailand's voracious timber industry resorting to relying on trees illegally felled within the country or illegally imported from neighbouring states including Cambodia, Vietnam and Laos.²⁶ After the logging ban came into effect Thailand's Royal Forestry Department also decentralised its enforcement of illegal logging operations to the provincial level – resulting in the destruction of a large number of natural forests and plantations.²⁷

In one incident in 1997, Thai officials seized a massive haul of illegal teak logs and sawn wood that according to those involved were legally imported from Laos. Police officials suspected the teak had in fact originated from Burma - showing how the source of timber exported from Thailand can be easily obscured.²⁸

Vietnam

Sixty per cent of Vietnam's forest cover was destroyed during the war with the United States. Vietnam's remaining forests are being lost at a rate of 1.4 per cent a year²⁹, and it has been reported that with the present rate of deforestation there will be no substantial forest cover left by the year 2020.³⁰

While it is estimated that up to one million cubic metres of timber is illegally extracted from protected areas within the country each year³¹, Vietnam is also a major importer of illegal timber, mainly from Cambodia. Despite a 1996 ban on log imports from Cambodia imposed by the Vietnamese government, by 1998 seventy fully laden trucks of logs illegally cut in Cambodia were crossing the border into Vietnam each day, with much of the timber destined for export to Europe as garden furniture.³²



Left: A garden chair made in Vietnam from illegally logged Cambodian timber



Indonesia's Illegal Logging Epidemic

The sprawling archipelago of Indonesia exemplifies the disastrous impact of rampant illegal logging. With an illegal logging rate far in excess of legitimate log production, a huge processing industry reliant on illicit supplies, and systemic corruption, virtually all the country's remaining forest areas including protected areas have been invaded by loggers.

The country's economic problems coupled with corruption and collusion by the authorities and paralysis by central government have fostered the emergence of regional timber barons and well-organised criminal syndicates earning huge amounts through the illegal timber trade, often with the assistance of the military and police.

Much of the timber stolen from Indonesia's dwindling forests finds its way on to the international market either directly or via neighbouring states, especially Malaysia and Singapore, where the timber is effectively laundered and sent on to the US, Europe, Japan, Taiwan and mainland China.

Although the situation has worsened dramatically since the late 1990s, the roots of the present anarchy and plunder can be traced to the policies of the New Order regime of former-President Suharto, who appropriated Indonesia's forest resources and divided them up between family and business cronies.

Research indicates that between 1985 and 1997 Indonesia lost an average of 1.5 million hectares of forest cover every year, leaving only 20 million hectares of quality production forest. It is predicted that at the current rate of deforestation lowland dry forests will disappear from Sumatra by 2005 and from Kalimantan by 2010 – a devastating indictment of the wanton destruction of a country's natural heritage and resources.¹

By the time of Suharto's fall in 1998 all the conditions were in place for an upsurge in illegal logging, supplanting the state-sponsored exploitation of the country's forests. This was orchestrated by powerful regional timber bosses often linked to smuggling networks in neighbouring countries and beyond.

Now Indonesia has an annual log harvest of around 78 million cubic metres, more than three times the government's sustainable yield, and the capacity of unlicensed sawmills is

between 1985 and 1997 Indonesia lost an average of 1.5 million hectares of forest cover every year

Below: Forest damage, Kalimantan, Indonesia





double that of legal operations². This rate of illegal logging far outstrips Malaysia, officially the world's largest producer of tropical timber with 30 million cubic metres annually³.

Detailed field investigations carried out by EIA and Telapak Indonesia have illustrated how illegal loggers are targeting precious National Parks in the search for commercial timber species, and how violence and intimidation is used by the bosses controlling the trade⁴. All over Indonesia illegal logging is carried out with impunity and often with the connivance of the authorities.

While internal factors unique to Indonesia have contributed to the creation of a vast illicit timber trade, events beyond the country have also played a major role.

Current log shortages faced by Japan, China, Korea, Malaysia and Thailand have

fuelled the escalation of timber theft in Indonesia. Malaysian companies faced with declining round wood supplies at home have profited from a ready supply of cheap illegal timber from Indonesia.

While the Indonesian authorities must take responsibility for failing to take decisive action against the timber barons and the widespread collusion of enforcement officials, neighbouring countries are also culpable for failing to stop the illegal timber from entering their territories. In the case of Malaysia, huge amounts of illegal timber from Indonesia are effectively being legalised by the government.

Investigations carried out by the former Secretary-General of Indonesia's Ministry of Forests identified four major smuggling routes: West Kalimantan to Sarawak, East Kalimantan to Sabah, Jambi and Riau to peninsular Malaysia and Singapore, and West Papua to China⁵.

Below: Indonesia's natural forests are dwindling



Malaysia, Singapore, and China

While log shortages within Malaysia have forced the country's timber companies to expand operations into South America and Africa, they have also been quick to exploit a plentiful supply of cheap timber from closer to home – neighbouring Indonesia.

In the early 1990s Malaysia's domestic log production stood at 40 million cubic metres annually, but by 1999 it had almost halved to 22 million cubic metres. Yet while log supply has fallen, the country's wood processing industry has maintained an installed capacity of 40 million cubic metres a year, with over 1,000 sawmills still in operation⁶. It is clear that considerable quantities of timber stolen from Indonesia's forests are destined for the wood industries in Sarawak, Sabah and Peninsular Malaysia.

West Kalimantan to Sarawak, Malaysia

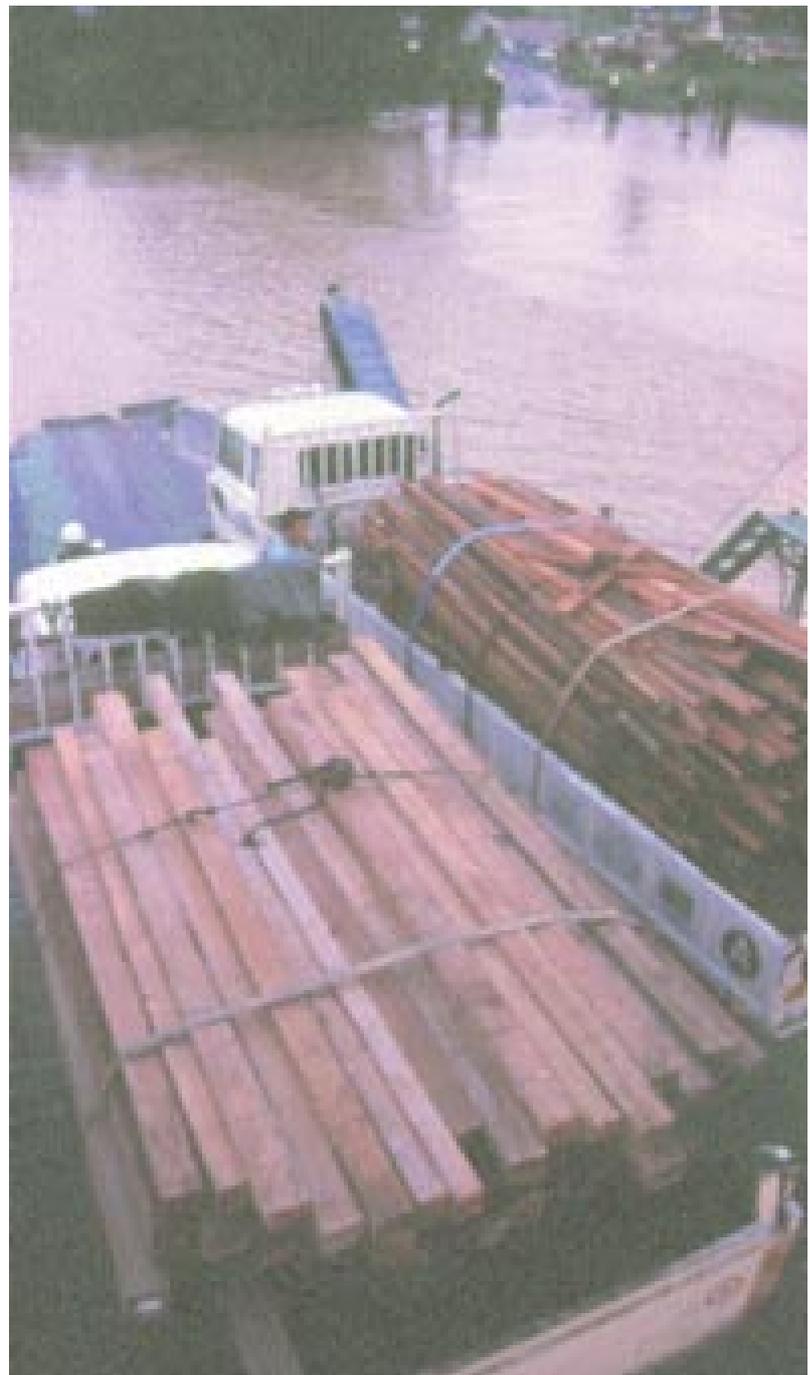
The West Kalimantan provincial capital of Pontianak and the Sarawak capital of Kuching are key points in a burgeoning illegal timber trade worth millions of dollars a month. Investigations carried out by EIA/Telapak Indonesia reveal the involvement of Pontianak-based businessmen in illegal sawmills and timber transport from Tanjung Puting National Park, Central Kalimantan. The criminal network extends to Kuching and Sibin in Sarawak, where commercial species such as ramin are laundered before being exported to markets around the world, including Italy, Germany and China.⁷

Timber theft along the West Kalimantan and Sarawak border is rampant. Field investigations carried out in the Indonesian district of Kapuas Hulu last year recorded up to 80 trucks carrying illegal timber into Sarawak every day⁸. Much of the timber comes from the protected forests of Lake Sentarum and Bentung Karihun. As Sarawak does not allow the import of logs, Sibu-based businessmen have set up sawmills along the road from Lanjak to Badau on the Indonesian side of the border to produce rough-sawn blocks, which are then moved across the border by truck. Local sources claim that the Indonesian customs post in Badau accepts payment to allow the illegal timber to cross the border – in August 2000 around 50 companies were paying Rupiah 30 million (\$4,500) every month to operate unhindered by the authorities.⁹

Once it reaches the Malaysian border town of Lubok Antu, the illegal timber is processed by the Harwood Timber Company, a subsidiary of the state-owned Sarawak Timber Industry Development Corporation. For a fee of Malaysian Ringgit 22 (\$6) per cubic metre the timber is measured and graded and paperwork issued, effectively laundering the stolen timber and easing its eventual export. Through this system a steady supply of material is guaranteed for Sarawak's wood industry and the state raises revenue. Conversely the losers are the Indonesian government, which loses revenue, and the forests and people of West Kalimantan.

Harwood runs a similar operation in Sematan, a somnolent coastal town in the far west of Sarawak. Harwood's presence here is explained by the fact that Sematan is a designated port of entry for small wooden boats from Indonesia, and is where the road to Kuching ends. On three occasions EIA/Telapak have witnessed boats flying the Indonesian flag unloading unmarked timber at the Harwood Timber Company site in Sematan. On a single day 60 trucks were seen transporting the landed timber towards Kuching. A source working in the port area stated that most of the Indonesian ships come from Pontianak and the Natuna Islands. As only small wooden vessels from Indonesia are allowed to enter, some of the timber is transferred to Malaysian steel coastal freighters and transported to Sibu.¹⁰

A third Harwood depot for processing stolen timber is located at Tebedu, close to the international border crossing point. It is estimated that the three Harwood sites process around 50,000 cubic metres every month, and



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Above: Lorries carrying unmarked Indonesian timber from the government owned Harwood Company checkpoint at Sematan, Sarawak, for processing

at least 500,000 cubic metres of Indonesian timber every year. Around 250,000 cubic metres passes through Sematan annually, 150,000 cubic metres through Tebedu and 100,000 cubic metres through Lubok Antu. In addition to the documented imports of illegal timber, it is estimated that a similar amount enters Sarawak through undocumented smuggling. Altogether around one million cubic metres of timber stolen from West Kalimantan enters Sarawak every year.¹¹

Timber theft along the West Kalimantan and Sarawak border is rampant



EIA/Telapak investigations uncovered large commercial trade in ramin and other tree species from Kalimantan to Batu Pahat

East Kalimantan to Sabah, Malaysia

The Malaysian state of Sabah is experiencing an acute wood supply shortage as a consequence of an ill-considered State government industrial expansion policy. Throughout the 1980s and 1990s the expansion of Sabah's timber processing sector was encouraged to a point where over 300 mills now have a capacity of 16 million cubic metres.¹² Yet Sabah's log production in 1999 reached just 3.4 million cubic metres, leading to a huge shortfall which again is partly met by timber smuggled from Indonesia.

Following an operation against illegal logging in East Kalimantan, the then Secretary-General of the Forestry Ministry claimed that Malaysian military personnel are involved in the cross-border timber trade. He claimed that between 80,000 and 100,000 cubic metres of illegal timber moves through the port of Tarakan and into Sabah every month.¹³ Around one million cubic metres of timber stolen from East Kalimantan enters Sabah every year.

In total timber smuggling from Kalimantan into Malaysia is estimated to have lost the Indonesian government at least \$580 million in the last decade.¹⁴

Riau and Kalimantan to Peninsular Malaysia

Smuggling of timber from Riau Province in Sumatra to Peninsular Malaysia was estimated at 70,000 cubic metres every month by the then Secretary General of the Ministry of Forests in June 2000.¹⁵ Subsequent field investigations by EIA/Telapak reveal that this illicit business continues unbridled. In August 2001 large quantities of logs and sawn timber were documented entering Peninsular Malaysia from

both Riau and Kalimantan through the western coastal towns of Melaka and Batu Pahat.

In Melaka EIA/Telapak witnessed a succession of Indonesian boats unloading both logs and sawn timber at timber yards on the Melaka River. Both the crew on the boats and workers in the yards confirmed that the timber had come from Riau, a mere six-hour voyage away across the Straits of Melaka. The logs are ordered by Malaysian Chinese businessmen, then bought in Riau and shipped over. The boats fly Indonesian flags in Indonesian waters but switch to Malaysian flags in Malaysian waters to avoid detection. The unloading of the unlicensed Indonesian logs and timber is carried out in full view of the Malaysian authorities.

The mixed timber includes large quantities of meranti and ramin. EIA/Telapak observations concluded that between 100 and 200 tonnes of logs and timber are unloaded in this port each day. Each boat carries about 16 tonnes and crew on one boat claimed to sail from Pulau Rupert in Riau to Melaka four times a month.¹⁶ The timber is processed by local sawmills and also transported to Kuala Lumpur.

EIA/Telapak investigations also uncovered large commercial trade in ramin and other tree species from Kalimantan to Batu Pahat. In the centre of town on the river Indonesian wooden boats carrying unmarked logs were waiting to be unloaded in a yard with a new customs building, cranes and containers yard. A regular barge service exists to transport the timber in containers to Port Kelang, near Kuala Lumpur. At an inlet out of town EIA/Telapak watched an Indonesian barge laden with ramin and meranti being unloaded at an expanding timber processing factory.¹⁷ This timber was also being transported by truck to a sawmill in Johor Bahru.

The port of Pasir Gudang in the Malaysian city of Johor Bahru provides another entrepôt for timber smuggled from Riau and Kalimantan. Malaysian timber industry sources claim that barges of logs from Kalimantan are transported to Pasir Gunang.¹⁸

Sumatra and Kalimantan to Singapore

The proximity of Riau province in Sumatra to Singapore offers a simple smuggling route. Field investigations carried out in Kuala Gaung, the coastal region of Riau, in August 2000 found boats and barges belonging to a Singapore company loading logs, despite the expiry of legal logging concessions in the area.¹⁹

On May 5th 2000 activists in Pontianak, West Kalimantan, forced port officials to order a cargo ship bound for Singapore back to port.

Below: Kutai National Park, East Kalimantan. Timber from this province is smuggled into neighbouring Sabah





© Dave Curry, Environmental Investigation Agency/Telapak



Left: Batu Pahat, Peninsular Malaysia, 9th August 2001. Indonesian ships unloading unmarked timber

The ship was found to have 42 containers of timber onboard, but only seven had the proper documents. A company called CV Brata, linked to a police foundation, owned 16 of the illegal timber containers.²⁰

In August 2000 Indonesian authorities stopped a cargo ship off Riau. It was loaded with illegal meranti and was bound for Singapore.²¹ As a major port Singapore also plays a key role as a transit point for illegal timber bound for international markets. Singapore, a small island state, has 181

timber importers and exporters listed in the telephone directory.

Indonesia to China

The Indonesian timber industry has voiced concerns that the growing supply of illegal timber to China is undermining the legitimate market. It is alleged that exports had dropped by more than one million cubic metres a year due to the availability of cheaper illegal supplies from Kalimantan and Sumatra.²²



© Telapak Indonesia

Left: The ship 'Progress A' was intercepted in Sumatra en route to Singapore with a cargo of illegal timber



© A. Ruwihrijarto, Environmental Investigation Agency/Telapak

Above: Ramin is the most valuable timber species found in swamp forests



Above: Tanjung Puting National Park and routes taken by illegally logged ramin

A Case Study: The Ramin Racket

Examination of the mechanics of the trade in a single commercial tree species provides a revealing insight into the modus operandi of the global illegal timber business. Ramin (*Gonystylus spp.*) is a valuable light hardwood species commanding some of the highest prices per cubic metre paid for timber from South-East Asia. It is traded internationally for a range of end products including interior mouldings, furniture components, picture frames, flooring and dowels.

Ramin distribution is restricted to Indonesia and Malaysia, but the species is becoming increasingly scarce in the latter country. In Indonesia 90 per cent of ramin production is exported, and the species formed the basis of the modern Indonesian timber sawmill industry¹

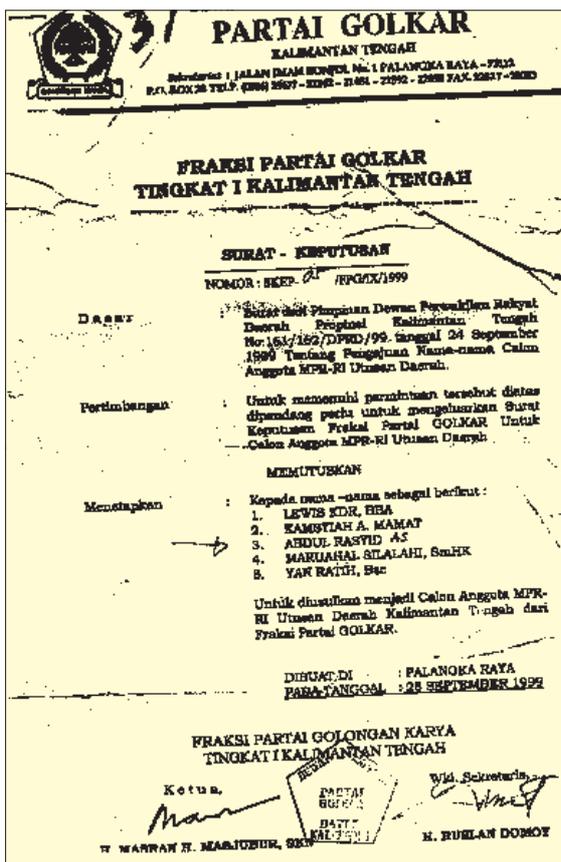
As a swamp species ramin is prone to over-exploitation and cannot be cultivated on plantations.² Evidence from Sarawak indicates poor regeneration rates for ramin in logged-over forests³. This swamp species is the most valuable tree species found in Indonesia, reaching \$1,000 per cubic metre on the international market when processed.

Ramin is classified as a vulnerable tree species by the World Conservation Union.⁴ This status is applied to species facing a high risk of extinction in the wild in the medium-term. The classification for ramin is based on a reduction of at least 20 per cent in the population over the last ten years, and a small population in a geographically-restricted region, making it susceptible to the effects of human activities in a short period of time.

Analysis of production data for recent years reveals a huge discrepancy between the legal production of ramin in Indonesia and the amount processed and exported by the timber industry and brokers. While the Ministry of Forestry has awarded low cutting allowances, huge quantities of ramin have been illegally cut and exported. As the ramin has run out within most forest concession areas, the timber bosses have moved into protected areas or expired concessions. Entire local industries have been built out of the illegal extraction and export of ramin.

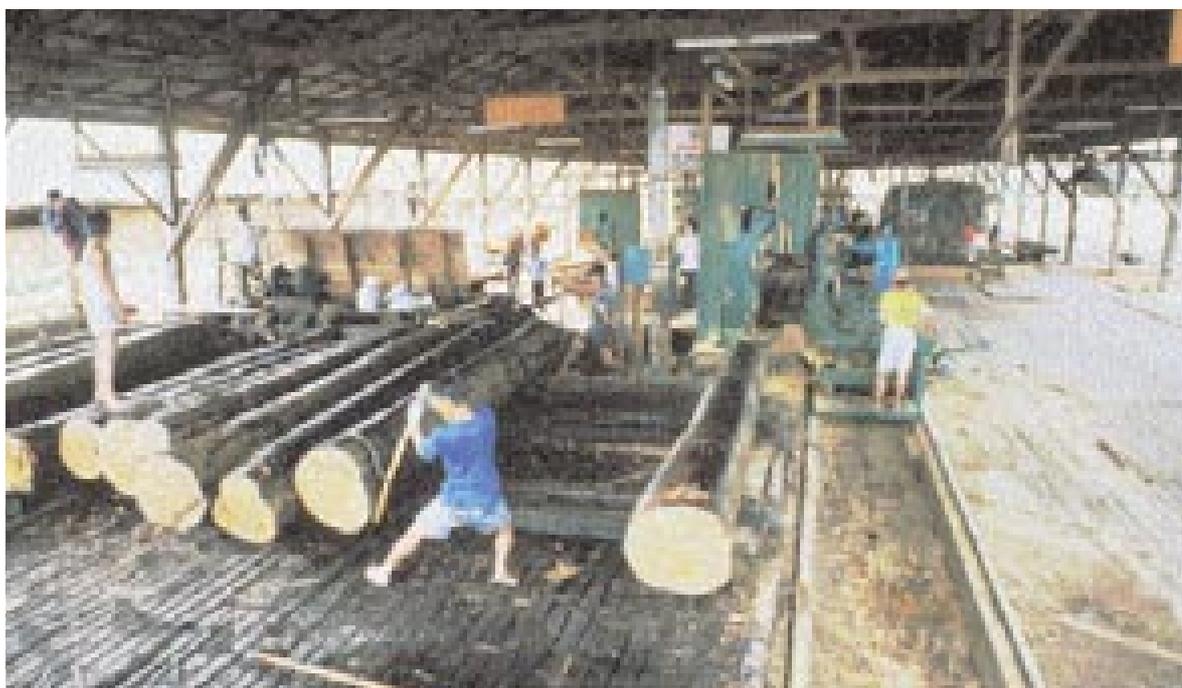
The Timber Barons

In Central Kalimantan, some of the last huge stands of ramin trees exist in protected and conservation areas such as Tanjung Puting National Park and around the Sebangau River. At the top of the power structure behind the province's illicit ramin trade are the politicians and military who profit from direct involvement, or from monthly 'stipends' provided by the more active timber barons.⁵



Above and left: Rasyid was nominated for the MPR by the local Golkar Party

One of the most powerful timber barons, Abdul Rasyid, has succeeded in influencing political and military leaders both in Central Kalimantan and Jakarta and in 1999 was appointed to the upper house of the Indonesian Parliament – People's Consultative Assembly (MPR) - as a representative for Central Kalimantan. His appointment was



Left: Illegal ramin timber from Tanjung Puting National Park being processed at a mill owned by the timber baron Abdul Rasyid



Ramin Theft Across Indonesia

The organised theft of ramin is by no means confined to Tanjung Puting. Close to the Central Kalimantan capital of Palangkaraya lies the Sebangau area, a protected 'Natural Laboratory' of peat swamp with a significant orangutan population. In August 2000 a field survey by EIA/Telapak and a local NGO revealed widespread removal from key research sites in the area. Loggers had even excavated canals to float the timber out onto the Sebangau River. Downstream of the protected area EIA and Telapak witnessed log rafts of illegal ramin being towed towards sawmills. Along the Sebangau River there are at least 100 sawmills, some of which processed timber from legal concessions in the area. Yet by mid-2000 all of these concessions had expired, and the sawmills had switched to illegally-sourced timber including ramin.⁴⁵

A survey carried out by a local NGO revealed several large ramin processing operations along the Sebangau River. Workers at one of these factories stated that the ramin products are exported to Malaysia, Singapore and Taiwan, and that at the time of the survey this one factory alone had stocks of 4,000 cubic metres ready for export.⁴⁶

Below: Illegally logged ramin outside a sawmill on the Sebangau river, Central Kalimantan, May 2001

One Central Kalimantan company involved in the illegal handling and distribution of ramin is Titan Superindo. In early 2001 police seized over 16, 000 cubic metres of illegal ramin from the company, prompting the then Coordinating Minister for the Economy, Rizal Ramli to comment: 'The illegal logging of ramin has sharply increased in line with the increasing price of it on the international market.'⁴⁷

Ports in Java also handle substantial quantities of ramin from Kalimantan. In May 2001 an NGO claimed that Tanjung Emas port, near Semarang in Central Java, was handling up to 100 ships a month carrying illegal timber including ramin. The NGO claimed that 40 cases had been reported to the police but no action had followed.⁴⁸

Ramin from the Sumatran Province of Riau is smuggled the short distance across the Straits of Malacca to Johor Baharu in Malaysia. In February 2001 police arrested syndicate head Ali Jambi for the illegal transport of timber, including ramin, from Riau to Peninsular Malaysia.⁴⁹



© Environmental Investigation Agency/Telapak

recommended by the local Golkar Party, the party of former President Suharto.⁶

In February 2000 the then Secretary General of the Ministry of Forests stated that his investigation team had evidence that Rasyid and his family through their company Tanjung Lingga were heavily implicated in buying illegal logs, stating that the annual value of logs illegally taken from Tanjung Puting National Park was valued at 70 billion rupiah (US\$8 million). He asserted that: 'Rasyid is not only buying stolen logs from Tanjung Puting National Park but also illegal logs from logging concessions in the area. He and his brother Ruslan process at least 60 per cent of stolen logs in the area.'⁷

The source of Rasyid's wealth was confirmed by a local timber businessman who said: 'The richest ramin population is in Tanjung Puting National Park. Whoever receives the logs can easily be identified. The local forestry office and police must have known it.'⁸

The illegal extraction of ramin from the park and its processing is a huge business. When EIA and Telapak investigators met with the management of Rasyid's company in 1999 they were shown a new integrated ramin processing factory the size of three aircraft hangers. The illegal unmarked ramin logs taken from Tanjung Puting National Park entered the factory at one end and were sawn into planks. They were stored in the central area and taken to drying rooms as the next stage of the process. New drying rooms were being built to increase the ramin capacity of Rasyid's factory. The third area was where the dried and cured timber was processed into window blinds, dowels and mouldings for export.⁹

EIA/Telapak gained access to a second timber factory owned by Rasyid and again found a huge amount of ramin stored ready for sale and being processed. Information from several local sources indicated that Rasyid owned four factories near Pangkalanbun. This massive business was built on a continuous supply of ramin despite very little legal supply being available.

Rasyid watches over other businesses in the area and his influence can be used to support or oppose local enterprise. Some of the illegal sawmills that have opened in Kumai have been reported to be linked back to Rasyid. Police raids on some of his competition have resulted in prosecutions.

In January 2000 two investigators from EIA and Telapak carrying out lawful surveillance of the logging of the park were

kidnapped by Tanjung Lingga executives, threatened with a gun and beaten. In the next three days the two environmentalists were held in a local police office for their protection surrounded by a hired Tanjung Lingga mob. Even extremely high-level orders failed to get the then local Police Chief to escort the environmentalists to safety, instead allowing the same company executives who had beaten the environmentalists to meet with them in a closed room and threaten them further. They were only released when it became obvious that the incident was becoming of international significance and out of his control.¹⁰

Attempts to open legal proceedings against Rasyid with the Attorney General's Office proved

Below: Loggers operating in the East of Tanjung Puting National Park, July 2001



© Environmental Investigation Agency/Telapak



The loggers earn a payment of around 25,000 rupiah (US\$2.20) for each cubic meter of ramin felled

Below: Illegally logged ramin in Tanjung Puting National Park, 9th August 2001

to be extremely difficult despite the promise by then President Abdurrahman Wahid to remove Rasyid's parliamentary immunity to prosecution. Despite the existence of an official dossier compiled by the then Secretary General of the Forest Ministry detailing breaches of the law by Rasyid and his companies, no legal moves ensued. After almost two years of prevarication, it took a new Attorney General to seek the immunity from the President, which once granted, opened the case.¹¹ Sadly, Attorney General Baharuddin Lopa died of a heart attack in July 2001 and it is currently unknown whether this case will be pursued by the new administration of President Megawati Sukarnoputri.

The Loggers

During the last three years there have been thousands of loggers within Tanjung Puting National Park working for a group of timber brokers serving as middlemen. It has been possible to watch the speedboats ferry the

middlemen up the rivers with supplies and wages to keep their teams of men in the forest. Any local person nearby can tell you who the middlemen are and which part of the Park they are logging.

The loggers work in appalling conditions, living in the swamp with mosquitoes and leeches as part of the daily hazards, sometimes for weeks on end. A small chainsaw gang of about three people heads the team, with a further group of five to eight people to transport the logs along wooden rails built throughout the forest.¹² In recent months steel rails have been laid in the park and roads have been constructed for trucks to carry timber out of the east of the park.¹³

The workers come from all over Indonesia, including local communities. Some of them found working in the Park recently were loggers who had previously worked in Malaysia. Others are from Java and Lombok, and other parts of Kalimantan. The loggers earn a payment of around 25,000 rupiah (US\$2.20) for each cubic meter of ramin felled.¹⁴

The Middlemen

The lawlessness in Central Kalimantan and the riches of Tanjung Puting National Park have noticeably changed the fortunes of certain members of the local community. The local port of Kumai was never the scene of abject poverty, but it supplied timber to a fleet of sailing ships bound for Surabaya, Jakarta and Kuching. A few hostels provided accommodation for seamen and tourists who came to Kumai to rent a small boat or speedboat to visit the Park.

By 1999 most of the boat owners had diverted their business from tourism to the transport of illegal timber. At times it has been difficult to find an available boat because virtually all of the large fleet of small boats and speedboats were towing ramin log rafts or transporting loggers and middlemen with their supplies into the Park.¹⁵

New sawmills, mainly working with ramin, have sprung up in the area each providing new work and a few Kumai residents have spearheaded the looting of the Park. This is despite no new permits for sawmills being issued since the late 1980s.¹⁶ These individuals have organised the logging teams, provided their supplies, chainsaws and fuel.

This lawlessness has created its own problems, with power struggles and arguments also falling outside the law. The headquarters





Left: Sawmill near Tanjung Puting National Park processing ramin, April 2001

of the National Park were burned to the ground and one of the ringleaders of the rioters was a prominent timber middleman known to be operating in the park.¹⁷ Since then, arguments have flared and fuelled ethnic tensions resulting in the murder of local people. Ethnic violence has forced many residents to flee and this once peaceful port suffers from a strong undercurrent of fear.

The massive extraction of timber from the park has transformed the climate in the nearby towns of Kumai and Pangkalanbun

The Enforcement Authorities

Enforcement within Tanjung Puting National Park should be a relatively easy operation. The illegal logs are floated down the main river systems to the sawmills outside the Park. It would take very little enforcement activity to permanently patrol these few river systems and prevent the passage of logs. Permits are also required to be in the Park and anyone without this permit could be arrested.

Yet at the core of the issue of illegal logging of ramin and other species is corruption. This reaches all levels of society including the enforcement authorities. Throughout the destruction of Tanjung Puting and other areas within Central Kalimantan, most of these authorities have been silent. In some cases, evidence has surfaced showing

collusion between these enforcement authorities and the timber barons and middlemen.¹⁸

After pressure has been applied on central and provincial government, there have been 'enforcement sweeps' when ramin logs have been confiscated. Each operation usually lasts only a few days and the loggers are pre-warned so that they clear out of the forest. When the operation is over, the loggers return.

Confiscated logs are held by the police and have been auctioned. Observers have noted that in some cases, the logs are already being loaded onto barges by local illegal sawmills before the auction has taken place.¹⁹ Those accused of organising the illegal logging are often the 'buyers' of the confiscated timber. In January 2001 alone around 20,000 cubic metres of illegal timber from the park seized by the authorities, the majority of which was ramin, was auctioned.

The quantity of illegal ramin taken from the Park over the last few years is staggering. The legal cut of ramin set by the Ministry of Forestry for forest concessions for 2001 was 24,000 cubic metres before a moratorium was imposed²⁰. Set against this background the commercial nature of the plunder of the park is revealed. In 1999 and 2000 steel barges each loaded with about 2,000 cubic metres of ramin could be seen in Kumai Bay opposite the Park in full view of the authorities. Each week about three of these barges left the bay representing an annual theft of over 300,000 cubic metres.

at the core of the issue of illegal logging is corruption



© Environmental Investigation Agency



Tanjung Puting National Park's Biodiversity

Tanjung Puting National Park is a 400,000 hectare conservation area of global importance, providing an island of biodiversity amid the rapidly diminishing forests of Borneo. It is recognised as a world Biosphere Reserve by the United Nations⁵⁰ and forms the largest protected area of swamp forest in South-East Asia.⁵¹ It is one of the few remaining habitats for the endangered orangutan.

The park embraces tropical heath forest, mangrove and peat swamp forest. It contains a number of commercial tree species including ramin (*Gonystylus spp.*) and meranti (*Shorea spp.*) as well as over 200 bird species, 17 reptile species, and 29 mammal species including endangered species such as the estuarine crocodile, clouded leopard, Malayan sunbear and Storm's stork.⁵²

Nine of Borneo's thirteen primate species occur in the park, including the orangutan, the proboscis monkey, the agile gibbon and the silvery leaf-eating monkey.

Recent estimates by the Indonesian Ministry of Forestry state that about 40 per cent of the park has already been damaged by illegal logging and forest fires.

The only police activity witnessed by independent observers was harassment of tourists taking photographs of these barges.²¹

The Ministry of Forests has attempted to investigate the illegal logging of Tanjung Puting National Park on a number of occasions. The results have not been made public although the former Secretary General of the Ministry of Forests has made many public statements, presumably based on these investigations. The park staff have been overwhelmed by the loggers and it is easy to see why they could not prevent the illegal logging without police or military backup. Yet some of the staff have also received payment from the loggers.

During the kidnap of two environmentalists in Pangkalanbun in January 2000 by the timber baron's company executives, it became clear that the local Police Chief Koto was acting in the interests of the company. Koto unsuccessfully tried to persuade the EIA staff member to leave her Indonesian colleague behind, leaving no doubts as to his role in working for the interests of Tanjung Lingga.²²

The local justice system also failed in this case by placing the two company executives on three months probation for their violence. Nobody really expected the local court to provide any justice when the timber baron's company executives were accused.

The Politicians

'Money politics' has created a system of endemic corruption in Indonesia and many local, provincial and national politicians have succumbed to it. In fact it is where they build up most of their wealth. The local district governors are able to buy their positions or they are bought for them, and their investment is easily returned by the vast opportunities to extract money from every element of district life – including logging.

Members of the local Central Kalimantan branch of Indonesia Corruption Watch stated that the provincial parliament in Palangkaraya is about 95 per cent ruled by 'money politics'.²³

The rise of timber baron Abdul Rasyid is illustrative of the links between the illegal timber trade and corruption. He has used the illicit wealth garnered partly through the looting of ramin from Tanjung Puting to become a political force, first in Central Kalimantan and then nationally. When the national and international pressure increased to take action to stop the commercial illegal logging of the park and Rasyid had been publicly named as the main



culprit, the then Governor of Central Kalimantan set up a committee to take over the protection and management of the Park. Rasyid's brother Ruslan was appointed as its chair.²⁴ Rasyid's company also received new forest concessions in 2000.

At a national level certain politicians have clearly stood in the way of any action being taken. Others have expressed helplessness at the situation. Despite professed Presidential support to fight illegal logging, the instability of the Wahid government contributed to the continuing decline of this Park.

Indonesia is under extreme economic pressure and donors to this fragile economy have used their weight to try to see some action against illegal logging. Foreign donors organised under the 'Consultative Group on Indonesia' including the USA, Japan, European countries and the World Bank have repeatedly sought and received assurances that illegal logging in National Parks was a priority for this government. The donors have recognised the economic importance of the forests and that this could be one way to push for better governance in Indonesia.

It is in this political climate that the former Minister of Forests Marzuki Usman must be given credit for taking the first action necessary to curb the logging within Tanjung Puting. In April 2001 he issued a Ministerial decree²⁵ to place a temporary moratorium on the cutting and trading of ramin. To support this initiative he also notified the secretariat of the Convention on International Trade in Endangered Species (CITES) that Indonesia was placing its ramin on Appendix III of CITES with a zero quota.

With this initiative the Indonesian government has placed some responsibility for ramin timber theft on the importing countries. They are now bound by their CITES implementing legislation to prevent imports of Indonesian ramin after August 6th 2001 when this CITES listing becomes active, with the exception of stockpiles and ramin from Diamond Raya Timber, a company controversially certified in spring 2001.

The International trade

A huge amount of timber looted from Tanjung Puting over the last few years has been sold on the international market. A sophisticated network operates to move ramin stolen from Kalimantan and Sumatra onto the international market, with Malaysia and Singapore effectively laundering the plundered timber. At

Ramin's Last Stand

Ramin (*Gonystylus spp.*) is a tropical hardwood tree species, occurring in peat swamp and lowland freshwater swamp forest in Borneo, Sumatra and Peninsular Malaysia. It is widely used for furniture, dowels, picture frames, futons, snooker cues, and mouldings. It is the most valuable commercial tree species in Indonesia and has been commercially logged-out in most of its range. Protected areas are the only areas where quantities of large trees still exist and most of these are now being illegally logged.

It occurs in a number of protected areas throughout Indonesia, including –

In Kalimantan: Tanjung Puting National Park, Lake Sentarum National Park, Gunung Palung Nature reserve, Mandor Nature Reserve, Muasra Kaman Nature Reserve, Gunung Penrisen/Gunung Nyiut Game Reserve, Pleihari Martapura Wildlife Reserve.⁵³

In Sumatra: Gian-Siak Kecil Wildlife Reserve, Danau Bawah and Pulau Besar Strict Nature reserve and Berbak Game Reserve.⁵⁴

the centre of the Kalimantan network lie the ports of Pontianak in West Kalimantan, Kuching, the capital of the Malaysian state of Sarawak, and the state of Johor in Peninsular Malaysia

Brokers from Kuching often travel across the border to deal directly with their counterparts in Pontianak, who then pass the order further down the chain to local logging bosses. One such boss is the owner of Kumai-based company UD Muslim Halim, accused by the Indonesian government of illegally transporting timber to Malaysia.²⁶

The Pontianak-based brokers play a key role in facilitating the transport of illegal timber from Central Kalimantan. In June 1999 the authorities seized the barge Sinar Pawan II with illegal ramin on board. Shipping records revealed that the barge was owned and operated by a Pontianak-based company. In the same year EIA and Telapak investigators observed another Pontianak-registered barge, Sapphire 7, loading illegal ramin. The cargo vessel Femini I, owned by a Pontianak-based firm, has been observed on two occasions loading illegal ramin from sawmills on the Sebangau River.

Malaysia is a crucial pivot in the international trade in illegal ramin. As the country's own supplies have been over-exploited and fallen dramatically, its industry has moved to secure fresh sources by exploiting the situation

Malaysia is a crucial pivot in the international trade in illegal ramin

A Case Study: The Ramin Racket



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Illegal Indonesian timber at Melaka, Peninsular Malaysia, August 2001

© Hakiki, Environmental Investigation Agency/Telapak



Illegal ramin being loaded in Riau on board a vessel owned by a Singapore-based company



Routes taken by illegal ramin timber



National Parks and other protected areas containing ramin



A Case Study: The Ramin Racket

Illegal Indonesian ramin from Malaysia, Singapore and Indonesia enters the world market – Japan, Taiwan, US, UK, Italy, Hong Kong and mainland China are some of the major destinations

© Environmental Investigation Agency/Telapak



Indonesian boats carrying illegal Indonesian timber, Sematan, Sarawak, Malaysia

SABAH

SARAWAK

EAST KALIMANTAN

Kuching

Lubok Antu

Pontianak

WEST KALIMANTAN

CENTRAL KALIMANTAN

Palangkaraya

Pangkalan Bun

Kumai

Kuala Pembuang

Sebangau River



An orang-utan in Tanjung Puting National Park

© Dave Curry, Environmental Investigation Agency

INDONESIA

Jakarta

Tegal

Semarang

JAVA



Illegal ramin log raft in the Sebangau River basin, May 2001

© Environmental Investigation Agency/Telapak



in neighbouring Indonesia. EIA/Telapak have witnessed ramin stolen from Indonesia entering Malaysia through Melaka, Batu Pahat, Sematan and Lubok Antu.

Almost all of Sarawak's peat swamp forests – the habitat of ramin - have been logged over at least once²⁷, and as early as 1990 a mission by ITTO reported that ramin was being heavily overcut.²⁸ In 1989 Sarawak produced 620,000 cubic metres of ramin a year, but by 2000 this had fallen to just 67,000 cubic metres.²⁹

Ramin enters Sarawak at checkpoints run by the government owned Harwood Timber Company. At Sematan ramin has been observed stored at the Harwood facility. The company has

built a large riverfront quay and storage yard to cope with the steady stream of Indonesian boats carrying their illegal cargo.

Illegal Indonesian ramin also passes through the land border crossing at Lubok Antu, and feeds the sawmills clustered in Sibu, Sarawak. Ramin illegally logged from the protected area of Lake Sentarum in West Kalimantan is gathered at the town of Lanjak, and transported by road to Lubok Antu. Industry sources estimate that between 10 and 20 per cent of the 500,000 cubic metres of timber passing through Harwood's three depots is ramin.³⁰

Sawmills in Peninsular Malaysia also profit from illegal ramin supplies. Although it has virtually no swamp forest left, exports of ramin from Peninsular Malaysia have soared during the last few years. In 1999 exports of sawn ramin from Peninsular Malaysia jumped to 24,000 cubic metres by 122 per cent compared with the previous year. Between January and September 2000 exports were recorded at over 31,000 cubic metres, a rise of 82 per cent compared with the same period in the previous year.³¹

The roundwood equivalent of these sawn ramin exports is of a similar magnitude to the ramin production in Sarawak for 2000, revealing that Malaysia's legal ramin production for that year is almost accounted for by exports of sawn ramin from Peninsular Malaysia alone, without even considering Sarawak's large wood processing sector or exports of finished ramin products such as mouldings.

The answer to this conundrum can be observed in the ports along the west coast of Peninsular Malaysia. In August 2001 EIA/Telapak uncovered a flourishing business in illegally sourced Indonesian ramin in Batu Pahat in the state of Johor. An Indonesian barge *Sumber Mas XV* fully loaded with unmarked ramin logs and a few meranti logs from Kalimantan was observed at a wharf and factory complex owned by E.S. Ng Holdings Sdn Bhd on 9th August 2001. It had arrived that same day and staff at the timber yard explained that this barge brings logs once a month from Kalimantan. The yard was expanding with a new quay being developed. It had large storage areas, saws and drying facilities with a new kiln. It also had moulding machinery and stacks of moulded timber were stored in covered areas.³² A worker at the factory told EIA/Telapak that the company also transports some of the imported timber directly to a sawmill in Johor Bahru. A subsidiary of E.S NG Holdings known as *Jaya Fuda Timur*, runs a large mouldings factory in a timber industrial site at Tanjung Manis, near Sibu in Sarawak and has a

Below: Smuggled logs from Indonesia being unloaded at Melaka, Peninsular Malaysia, 11th August 2001



© Dave Currey, Environmental Investigation Agency/Telapak

Below: Kalimantan barge 'Sumber Mas XV' laden with ramin, docked near Batu Pahat, Peninsular Malaysia, 9th August 2001



© Dave Currey, Environmental Investigation Agency/Telapak



third operation at Bintulu, Sarawak.³³

Ramin also comes ashore at Melaka, shipped by small wooden boats from Riau. According to a crew member on one of the timber ships a businessman buys ramin for Rp 200,000 (about US\$30) per tonne in Riau and sells it in Melaka for 900 Malaysian Ringgit (about US\$240) per tonne. The ramin is both processed locally and transported north to Kuala Lumpur.

In June 2001, 360 tonnes of ramin was seized by customs officials in Riau Province. Two ships, KM Aiwan Jaya and KM Iqbal, were seized and a third escaped. The ships were on their way to Batu Pahat in Malaysia.³⁴ Ramin illegally logged in neighbouring Jambi Province is also destined for Malaysia. A local NGO has reported widespread illegal logging of ramin in Berbak National Park, with over 130 tonnes being shipped to Malaysia between March and June 2000.³⁵

This influx of illegal ramin into Malaysia is motivated by high prices paid for this valuable species. While other commercial species logged in Malaysia such as meranti and keruing fetch between RM600 (\$158) and RM800 (\$210) per cubic metre for sawn timber, ramin is worth between RM1,400 (\$368) and RM2,700 (\$710) per cubic metre.³⁶

The burgeoning trade in ramin from Indonesia is also reflected in Singapore's trade statistics, which indicate a rapid rise in sawn ramin exports from 6,155 cubic metres in 1997 to 47,100 cubic

metres in 2000. The dubious source of much of this timber is indicated by the fact that while customs figures for Singapore recorded no imports of sawn ramin from Indonesia for 1998 and 1999, Indonesian figures show exports worth \$500,000 for the same period.³⁷

In August 2000 an NGO documented illegal ramin being loaded onto barges in Kuala Gaung, Riau. The barges and tugboat carried the insignia of a timber company with field operations in Sumatra and its headquarters in Singapore. At this time legitimate concessions in this area had all expired.³⁸ Riau police also seized 100 tonnes of processed ramin in Kuala Gaung in March 2001 and arrested two boat captains. 'This timber is without any legal documents and is being smuggled to Singapore with a sale value of more than Rp 10 billion, because the price can reach up to hundreds of million rupiah per tonne' stated the Riau police information officer. One of the arrested men claimed that 45 boats carry timber between this area and Singapore every day.³⁹

In mid-August 2001 a telephone survey of Singapore timber exporters revealed that one broker was expecting imminent delivery of a shipment of sawn ramin from Kalimantan, despite the export restrictions on Indonesian ramin which had come into force over a week earlier.

Taiwan's imports of sawn ramin indicate a vast increase since 1997 while export statistics for the same period from Indonesia indicate the trend

***In June 2001
360 tonnes
of ramin
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by customs
officials in
Riau
Province***



Ramin being loaded onto a barge owned by a Singapore-based company, Riau, Sumatra



Discrepancies in ramin trade from Indonesia to Taiwan	1997			1998			1999		
Imports of sawn ramin from Indonesia reported by Taiwan	721,828	1,986,807	8,125,507						
Exports of sawn ramin to Taiwan reported by Indonesia	1,730,033	659,894	611,002						

going in the opposite direction (see table).⁴⁰ Less than one tenth of the sawn ramin imported into Taiwan in 1999 had been recorded as legally exported by Indonesia. This can be explained by the increase in illegal logs during this period not being included in Indonesian statistics.

Analysis of ports of call by vessels known to transport illegal timber illustrates the regional dimension of the problem. The 'Progress A' cargo vessel owned by Abdul Rasyid's company was seized in August 2000 carrying illegal logs.⁴¹ It was bound for Singapore and its voyage history shows it has called at Singapore, Bangkok (Thailand) and Jiangsu Province, China as well as Indonesian ports including Pangkalan Bun near Tanjung Puting National Park since 1999. Rasyid's other ship 'Ginza' has visited Thailand, Malaysia, Singapore, Taiwan, China – all major consumers of ramin timber – as well as ports in Indonesia.⁴²

The Consumers

Ramin provides a clear example of the culpability of consuming nations in helping to drive illegal logging and illegal timber trade. Ramin is a high value species used in expensive furniture, wooden blinds and picture frames –

Below: Ramin blinds on sale in the UK. August 2001



© David Simms/Environmental Investigation Agency

there is little demand for it in the countries where it grows. Most of the timber finds its way to a small number of rich importing countries, either in the form of raw timber or timber products. Major end-consumers include G8 members such as the USA, Italy, Japan and the UK, while Singapore, Hong Kong, Taiwan and mainland China, are also prominent as consumers or transit countries.⁴³

Importers and consumers have taken little responsibility for the legality of the sourcing of their timber. While ramin is illegally logged in Indonesia, and Indonesian ramin is laundered through the only other country where the species commercially originates – Malaysia – all ramin is potentially tainted and none should be accepted. This lack of action by consuming nations is partly attributable to ignorance, but as the issue of illegal logging becomes more politically controversial and publicly debated, consumers are likely to show concern.

Already 'Lowes', the second largest home improvement company in the USA has stopped using ramin because of concern over its legality at source.⁴⁴ A number of other high profile retail outfits in the USA and Europe are likely to follow suit unless action is taken to remove illegal timber from the supply chain.

The economics of the international illegal trade in ramin

Logging gang in Tanjung Puting National Park, Indonesia receives	\$2.20 per m3
Broker buying illegal ramin in Riau province, Indonesia pays	\$20 per m3
Broker selling ramin in Melaka, Malaysia receives	\$160 per m3
Buyer of ramin sawn timber in Malaysia pays up to	\$710 per m3
Exporter of sawn ramin (S4S) in Singapore charges	\$800 per m3
Buyer of moulded ramin in US pays	\$1,000 per m3



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Combating Illegal Timber Trade

The main consuming markets continue to profit from cheap illegal timber, with scant regard for the impact on remaining tropical forests and the corruption and violence engendered by rampant illegal logging. The EU, US, Japan and China must implement policies to curb the inward flows of illegal timber as a matter of urgency. Possible policy solutions include:

- **Use of Existing International Agreements**

The Convention on International Trade in Endangered Species (CITES) regulates trade in flora and fauna between its 170-plus member countries. It serves to conserve endangered species through the operation of trade controls, ranging from regulated trade to an outright ban.

In the absence of any other relevant legislation, a listing under CITES is currently the only means by which importing countries can seize timber which was sourced illegally.

In April 2001 the government of Indonesia informed the CITES Secretariat of its intention

to place ramin on Appendix III with a zero quota. Through this measure Indonesia is effectively calling on the international timber community, especially the major tropical timber consumers, to assist in conserving a threatened tree species that is a prime target for illegal logging gangs.

This measure became effective on 6th August, and outlaws importation of Indonesian ramin by any party to CITES, with the exception of stockpiles and a small quantity of FSC certified timber. Already EIA/Telapak have documented ramin being openly smuggled into Malaysia since this listing became effective. Implementation of CITES remains a problem, but the use of such a powerful and pre-existing mechanism may be appropriate for other commercial timber species threatened by rampant illegal logging.

- **Procurement Policies**

At the 2000 G8 Summit in Okinawa, Japan, the world's leading economies plus Russia undertook to examine how government procurement policies can be tailored to eliminate illegal timber. The UK government has taken the lead in this area, announcing a new policy binding all central government

Above: Indonesian logs laid out in front of storage areas and kiln at E. S. Ng Holdings near Batu Pahat, Peninsular Malaysia



Right: Lowes, one of the largest home improvement retailers in the USA, has banned dowels made from Indonesian ramin



departments to actively seek timber from legal and sustainable sources. As Michael Meacher, UK Environment Minister, states: 'It is counterproductive to help enforce laws abroad without striving to ensure that illegally-produced timber is not consumed at home. The Government is a major purchaser of both timber and timber products, and has a responsibility to ensure its own house is in order'¹

However such a unilateral policy is difficult to implement in the context of the European Union's single market. The public sector accounts for 14 per cent of the total market for goods and services in the EU, and while a recent EU document has enabled the UK to reconcile its new policy with its EU Commitments², it is important the EU follow the UK's lead and take a clear stance on this issue. The UK and the EU's G8 partners must also adhere to their commitments in this regard.

For timber certification schemes to be effective they must be transparent and open to independent scrutiny

• Industry Initiatives

Timber importers and retailers have a responsibility to eliminate illegal timber from their purchases and inventory. In this respect some companies have proven to be more enlightened than others. In August 2000 the major US retailer Lowe's announced a new policy to eliminate wood products originating from endangered forests. This policy includes banning dowels made from Indonesian ramin.³

Meanwhile in the UK, B&Q, one of the largest DIY retailers, has committed itself to phasing out all products which have not been independently certified, because the sustainability and legality of other timber cannot be guaranteed.

Certification schemes operated by the Forest Stewardship Council (FSC) can assist in ensuring that timber supplies are both legal and sustainable. However, at present less than one per cent of tropical timber imports into the EU are FSC-certified⁴, and the FSC is the only certification scheme which currently provides a credible chain-of-custody to track the flow of certified timber from the forest to the shelf – something which is essential to avoid the laundering of illegal timber into the supply chain. For timber certification schemes to be effective they must be transparent and open to independent scrutiny.

• New legislation and improved border controls

The G8 have asked the UK government to take the lead on the issue of illegal logging. The UK has commissioned papers to look at the alternatives open to the G8 and Europe to prevent import of illegally-sourced timber and timber products. One option being looked at is the adoption of new legislation which would prohibit imports of illegally-sourced timber and

timber products. Already, in the case of fauna, the US Lacey Act makes it a criminal offence to import any fauna or fauna product which was taken or sold in violation of the laws of the country of origin.

Customs authorities have a crucial role to play in clamping down on cross-border timber smuggling and the importation of timber illegal at source. However, currently none of the major importers of tropical timber have legislation empowering customs officers to seize timber and timber products proven to have been obtained illegally at source.

In February 2001 the Senior Vice Minister of Agriculture, Forestry and Fisheries for Japan stated that his ministry was considering an import ban on wood obtained through illegal logging, especially from South-East Asia. The Vice-Minister expressed Japan's intention to lead the world in establishing such a ban, saying that setting up a wall at the consuming country end would help reduce illegal logging, but no further details have emerged since.⁵

Laws are worthless without effective enforcement. Improved customs resources and cooperation and border surveillance is also needed.

• Regional Co-operation

It is essential that governments in the producing regions develop means to co-operate with each other to prevent laundering of illegally-sourced timber and timber products by neighbouring countries. This will require genuine political will from the leaders within the region.

The Forest Law Enforcement and Governance Conference in Bali in September 2001 gives Ministers from East Asia an opportunity to discuss co-operation and increased border controls.

Is also vital that an assessment of industry capacity is looked at in the regional context. The overcapacity of industry in most countries in East Asia has already exacerbated the illegal logging of valuable forests. Unilateral logging bans to protect national resources have immediately put pressure on other countries in the region.

Penalties for illegal activities in forestry differ greatly and are rarely effectively imposed. A look at the effectiveness of national legislation on this issue would be useful for many countries and lessons learned by neighbouring countries are likely to be crucial in the development of effective legal structures, penalties and enforcement.

• Strengthening Civil Society and Law Enforcement

There has been a serious breakdown of law enforcement in many countries in the region. This has been due to different factors but it is recognised in some countries that law enforcement agencies are involved in profiting from illegal logging.

Ownership of the resources and the empowerment of local communities have become difficult and contentious issues in many countries. But there will have to be recognition of the importance of involving local communities in many of the decisions regarding forestry. The strengthening of civil society will create open debate, greater transparency and more information. Independent monitoring of forest resources will have to involve local communities and non governmental organisations. In the last few years stronger links have been forged between local NGOs and communities with international NGOs and governments. A vast knowledge of the illegal industry has been built from these sources and, in part, the open discussion of illegal logging is already due to these links.

The overcapacity of industry in most countries in East Asia has exacerbated illegal logging



Left: Training in forest monitoring, Indonesia

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Conclusions

- Illegal logging rates in the major tropical timber producing countries are at least equal to the legal harvest – 50 per cent in Cameroon, 73 per cent in Indonesia and 80 per cent in the Amazon. The global illegal timber trade is a multi-billion dollar industry.
- Consumers of illegally-sourced timber and timber products have no mechanisms in place to seize the timber and timber products.
- Declarations by the G8 and other timber consuming countries on illegal logging are yet to provide any practical steps to curb this illegal trade.
- Chain of custody information is difficult to access in an industry that is unregulated and out of control.
- Some governments within South East Asia have extreme difficulty in tackling illegal logging which, in part is driven by huge consumer demand. Unilateral policies in the region have failed to tackle the problem. Regional cooperation is needed.
- Law enforcement agencies in some countries have been unable to tackle widespread corruption which is often driven by the political or military elite.
- National Parks are being illegally logged in many parts of South East Asia since they contain some of the last remaining commercially valuable timber.
- In Indonesia, even huge publicity and evidence has failed to bring timber barons, such as Abdul Rasyid, to justice.
- Civil society in many countries has not proven strong enough to tackle widespread political and military corruption.
- Traders in illegally-sourced timber and timber products easily use corruption to gain false paperwork and smuggle the timber.
- Massive quantities of illegally-sourced timber are traded around the East Asia region and to international markets.
- Investigations show that huge quantities of illegal logs and sawn timber are regularly transported from Indonesia to Singapore and Malaysia and 'laundered' into the international system.
- CITES is currently one of the only international mechanisms available to legally control international trade in threatened tree species.

Recommendations

For Major Timber Importing Nations

- Enact legislation which prohibits the import and sale of illegally-sourced timber and timber products.
- Provide political will and resources for enhanced border controls to prevent the import of illegally-sourced timber and timber products.
- Develop government procurement policies which require sources of timber and timber products to have come from demonstrably legal sources.
- To require industry to adopt transparent chain of custody processes which allows timber tracking from source to market.
- Provide financial and technical support to timber producing countries to combat illegal logging and trade in illegally-sourced timber and timber products.
- Support enforcement efforts in timber producing countries by activities such as including forest crimes in their embassy enforcement staff mandate.

For Timber Producing Nations in South-East Asia

- Use CITES Appendix III listings to control the trade in threatened tree species, such as ramin (with a zero quota) in Indonesia.
- Formalise a system of cross-border cooperation between national enforcement authorities, focusing on major smuggling routes.
- Enact legislation allowing the confiscation of illegal timber and those dealing in it outside the country of origin.
- Conduct a regional assessment of future timber requirements and form policy as a group, to prevent national instruments such as logging bans creating adverse impacts in neighbouring countries.
- Include forest crime in the ASEAN (Association of South-East Asian Nations) forum on trans-national crime.
- Review national legislation in all ASEAN members relating to illegal logging and timber smuggling, including evaluation of penalties.
- Provide alternative employment and opportunities for communities living in areas that are heavily illegally logged.

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