

# Feeding Forest Crime

## How U.S. imports support the timber barons of Southeast Asia



*Timber barons have robbed Indonesia of \$20 billion in the last 5 years<sup>1</sup> and have caused untold social and environmental harm. The disposable income of unwitting American consumers fuel the criminal, and at times violent, activities of these barons, because our large-scale consumption of illegally-harvested imported wood products drive the unbeatable economics of illegal logging.*

*Even blatantly illicit timber is legal once it reaches American shores, as there is no law to prevent importers from knowingly buying and selling illegally-sourced wood. EIA's analysis of U.S. trade data show two shipments declared as logs or sawn timber, prohibited by Indonesian export bans, entering U.S. ports daily between Nov. 2004 and Nov. 2006.*

*We need a law prohibiting the import or sale of illegally-sourced wood products in the United States. The currently-proposed Legal Timber Protection Act would send a critical message to global timber markets that the U.S. is serious about ending its role in perpetuating illegal logging.*

### Timber barons and forest crime

In the seven years since EIA-Telapak released *The Final Cut*, its first report on the illegal logging crisis in Indonesia, the economic and ecological scope of illegal logging's impacts have become appallingly clear. And despite some \$20 million in current government and private initiatives to combat illegal logging in Indonesia alone,<sup>2</sup> the cutting continues. A 2007 U.N. Environment Programme (UNEP) report forecasts that 98% of Indonesia's forests will be lost within 15 years, with lowland forests disappearing even sooner.<sup>3</sup> Meanwhile, the Environment Minister recently estimated that 73% of logging in his country is still illegal.<sup>4</sup>

The story of systemic impunity told by EIA-Telapak's new report *The Thousand Headed Snake* shows how deeply rooted the problem is. In Indonesia and elsewhere, illegal logging is a mafia operation, orchestrated by untouchable timber barons. Their criminal syndicates are willing to use forced labor, political intimidation, and violence to ensure uninterrupted trade streams. The vicious actions of Abdul Rasyid [see box, page 2] are an example that is echoed in Honduras, Burma, Peru, Liberia, and elsewhere. UNEP's Executive Director, Achim Steiner, described the situation in the following way:

***“Logging at these scales is not done by individual impoverished people, but by well-organized elusive commercial networks.”<sup>5</sup>***

### “No buyer, no smuggling.”

How do Southeast Asia's timber barons maintain their immunity with police, judges, and politicians? How do they remain above the law while cutting in ever more inaccessible, pristine forests? The answer: enormous amounts of money. Our money. The U.S. alone imported over \$800 million in wood products from Indonesia in 2006.<sup>5</sup> The profits in exporting to insatiable consumer markets are staggering: merbau timber stolen from Indonesia's Papua province is worth \$200 per m<sup>3</sup> in the port, more than twice that much on arrival in China<sup>7</sup>—and \$2,500 per m<sup>3</sup> by the time it is bought as flooring in a U.S. retail store.

A network of intermediaries connects these unsavory practices to the American consumer. One such link is Frankie Chua, a Singapore-based broker who provides false documents for a major timber syndicate that launders Indonesian wood into China.<sup>8</sup> Once in China, this wood will be manufactured into furniture and other products bound for the United States, part of a trade stream worth \$4.9 billion in 2006, and growing fast (imports increased by 10.1% from 2005 to 2006).<sup>9</sup> By some estimates, as much as \$1.6 billion of this stream is made from illegally sourced raw material.<sup>10</sup>

No wonder that Chua, a long-time associate of notorious timber baron Abdul Rasyid, told EIA/Telapak undercover investigators in 2003: “The problem is that somebody asks me to smuggle...No buyer, no smuggling.”

### Indonesian sawn timber: clearly illegal, at a port near you

In an effort to staunch the illegal flow of its resources, Indonesia enacted a log export ban in September 2001 and a sawn timber export ban in October 2004 (strengthened in February 2006). Despite these laws, U.S. trade data show that 1,570 shipments of Indonesian sawn timber, worth some \$30 million,<sup>11</sup> entered U.S. ports between November 2004 and November 2006: more than two shipments per day during that span.

Eleven U.S. ports received 89% of these shipments, with only three ports—Los Angeles, Long Beach and Tacoma, WA—responsible for 51%. This concentrated flow demonstrates how increased U.S. enforcement could be both simple and effective in addressing an obviously illegal trade stream.<sup>12</sup>



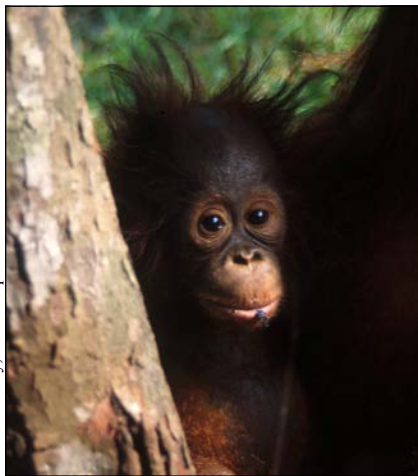
Ramin wood being lifted out of an Indonesian-flagged vessel into a Free Trade Zone in Singapore, 2003.

In November 2006, the United States and Indonesia signed a Memorandum of Understanding to Combat Illegal Logging and Associated Trade. Although this MOU does not specify measures to reduce demand for illegal timber, it does support increased customs information sharing and law enforcement cooperation. The current flow of logs and sawn timber provides these governments with an opportunity to show their commitment to combating the problem.

## The cost to forests, the climate, and U.S. industry

Only high-value species for export provide enough incentive to trespass in national parks and indigenous territories, falsify harvest and shipping permits, or build miles of trails into the wilderness to access a few individual trees. It is this “frontier logging” that triggers a cascade of subsequent environmental degradation.

Ramin (*Gonystylus spp.*), a blond hardwood commonly sold in the U.S. as products such as baby cribs and picture frames, provides an example. Ramin has been cut so extensively that it was listed on Appendix II of the Convention on International Trade in Endangered Species in 2004.<sup>13</sup> Unfortunately, these valuable trees continue to be illegally cut and smuggled from Indonesia. Once ramin logging is no longer profitable, vast degraded areas of its peat swamp habitat are burnt intentionally to make way for industrial oil palm plantations. Indonesia has become the world’s third-largest greenhouse gas emitter,<sup>14</sup> in large part because of the fires that rage annually across these carbon-rich swamps. Illegal logging is a ‘gateway activity’ leading to the deforestation that the UK’s recent Stern Review on the Economics of Climate Change found accounts for 20% of global carbon emissions—more than the global transport sector.<sup>15</sup>



U.S. inability to curb our consumption of illegal timber also undermines the viability of our domestic wood products industry. U.S. companies lose an estimated one billion annually from the market distortions caused by cheap illegally-harvested timber.<sup>16</sup> From January 2001 to October 2006, the U.S. logging industry lost 15,000 jobs, a 19.5% decrease.<sup>17</sup>

## Violence: The price of opposing the barons

Among the world’s most infamous timber barons is Abdul Rasyid, whose suite of companies has reaped hundreds of millions of dollars from illegal logging of ramin and other species in Tanjung Puting National Park. Rasyid is still a member of the Central Kalimantan regional Parliament.

In 2000, Rasyid’s employees, including his nephew Sugianto, assaulted EIA and Tela-pak investigators Faith Doherty and Ambrosius Ruwindrijarto with head blows, threatened them with death, and had them thrown in jail for three days.

In November 2001, Rasyid ordered an attack on journalist Abi Kusno Nachran after his information led to a government seizure of three illegal shipments. Abi Kusno was hijacked on the road by a gang of hired thugs who hacked him with machetes 17 times in the back, arms, and head, almost severing his arm and chopping off all the fingers of one hand. The 59-year old was being taken to the morgue when a nurse noticed his foot wiggling.



The United States lacks the tools to address its role in driving the problem. Without laws crafted to exclude illegally-harvested wood from the American market, any shipment that makes it to our shores is legal by definition, even if the wood was stolen from the heart of an Indonesian national park, home to endangered orangutans, tigers, and rhinos. Moreover, the current system discourages positive industry actions. To level the playing field and give enforcement agencies the tools to support other countries’ battles against illegal logging, a new legal framework is necessary.

## The Legal Timber Protection Act

H.R. 1497, the Legal Timber Protection Act (LTPA), was recently introduced in the House of Representatives by Congressmen Earl Blumenauer, Robert Wexler, and Jerry Weller. It is a vital step toward changing global timber markets. The LTPA amends the Lacey Act, a long-standing U.S. law used to prevent wildlife trafficking, to prohibit commerce in illegally-sourced wood and wood products. The LTPA raises the risks of doing illegal trade, while ensuring that legal timber trade isn’t harmed. It would send an extraordinary signal to global timber markets that the U.S., the largest global consumer of wood products, is serious about ending illegal logging and its associated trade.

## Cutting off the flow

The global community must support, and demand, efforts by the Indonesian government to stop illegal logging and prosecute timber barons. But Indonesia cannot kill a thousand-headed snake while the U.S. nourishes it with hundreds of millions of dollars and a no-questions-asked import policy.

Although the United States is not directly responsible for corrupting Indonesian judges and police, it is our disposable income that allows timber barons and their mafia syndicates to flourish. As the data released here show, the U.S. continues to import enormous quantities of Indonesian sawn timber despite its blatant illegality and the pleas of activists and government ministers alike to stop buying.

<sup>1</sup> Tempo Magazine, *The Rape of Merbau*, March 7, 2005.

<sup>2</sup> *Combating Illegal Logging and Associated Trade in Indonesia: A Compilation of Activities Supported by the United States Government, Industry and Non-Government Organizations*, USAID, June 2006.

<sup>3</sup> Nellemann, Christian, et al., *The Last Stand of the Orangutan*, United Nations Environment Programme, Feb 2007.

<sup>4</sup> Wallis, Daniel, *Illegal logging hits Asian forests, orangutans - U.N.*, Reuters, Feb. 6, 2007.

<sup>5</sup> Wallis, Daniel, *Illegal logging hits Asian forests, orangutans - U.N.*, Reuters, Feb. 6, 2007.

<sup>6</sup> Query done on the U.S. International Trade Commission’s database, DataWeb, on March 23, 2007.

<sup>7</sup> *Tropical Timber Market Report*, vol. 12, #5. International Tropical Timber Organization, March 2007.

<sup>8</sup> *The Last Frontier*, Environmental Investigation Agency, February 2005.

<sup>9</sup> Query done on the U.S. International Trade Commission’s database, DataWeb, on March 23, 2007.

<sup>10</sup> Hewitt, James, *Which 10 bilateral trade flows have most salience to international efforts against illegal timber?* (a first iteration), July 2006.

<sup>11</sup> Query done on the U.S. International Trade Commission’s database, DataWeb, on March 23, 2007.

<sup>12</sup> Port Import Export Reporting Service (PIERS) data.

<sup>13</sup> Van der Meer P.J., et al., *Sustainable Management of Peat Swamp Forests of Sarawak with special reference to Ramin (*Gonystylus bancanus*)*, 2005.

<sup>14</sup> Sari, Agus P., et al., *Indonesia and Climate Change*, PT Pelangi Energi Abadi Citra Enviro, commissioned by UK Dept. for International Development and the World Bank, March 2007.

<sup>15</sup> Stern, Nicholas, et al., *Stern Review on the Economics of Climate Change*, British Government, October 2006.

<sup>16</sup> Seneca Creek Associates and Wood Resources International, *Illegal Logging and Global Wood Markets*, commissioned by the American Forest & Paper Association, November 2004.

<sup>17</sup> MBG Information Services, [www.mbginfosvcs.com](http://www.mbginfosvcs.com).