

TIMBER TRAFFICKERS

How Malaysia and Singapore are Reaping a Profit from the Illegal Destruction of Indonesia's Tropical Forests

Summary

Indonesia's forests are being wiped out by timber thieves. Much of this illegally logged wood is smuggled abroad. New evidence obtained by the Environmental Investigation Agency (EIA) and Telapak exposes how Malaysia and Singapore continue to launder illegally logged Indonesian wood, including endangered species, on to world markets. Despite public commitments and international treaty obligations these two neighbouring states continue to profit at the expense of Indonesia's rapidly diminishing forests.

Malaysia is by far the largest exporter of tropical timber in the world. The country is also home to a billion dollar wood furniture export industry. Singapore has no forests of its own, but is nevertheless home to a large timber industry, based on processing and re-shipping. Both Singapore and Malaysia have made recent promises to take "immediate action on [the] illegal international trade in forest products."⁽¹⁾ But investigations by EIA/Telapak have shown that a significant proportion of the timber exports from both countries are actually of illegal Indonesian origin, and that both countries are acting as conduits for illegally logged Indonesian wood.



Left: Illegal logger in Indonesian National Park

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Left: Illegal Indonesian logs clearing customs in Malaysia, April 2003

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The lowland dry forests of Sumatra and Kalimantan may be gone by 2010

Illegal Logging and the International Trade in Illegally Sourced Timber

In Indonesia an estimated 73 per cent of logging is illegal, and as a result the annual log harvest is more than three times the sustainable yield.⁽²⁾ This lawlessness in Indonesia's forests is having a disastrous effect. Indonesia is host to the world's second largest area of tropical forest, but this forest is now being lost at a rate of 2.1 million hectares a year.⁽³⁾ It is predicted that at this speed the lowland dry forests of Sumatra and Indonesian Borneo will have completely disappeared by 2010.⁽⁴⁾

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



Above: Illegal logs in Tanjung Puting National Park, Indonesia

Illegal logging also has major economic implications. It is estimated that illegal logging on public lands worldwide causes annual losses in revenues and assets in excess of US\$10 billion.⁽⁵⁾ All too often money which should be going to fund schools, hospitals and clean drinking water in developing countries is instead finding its way into the pockets of illegal timber barons, corrupt enforcement personnel and politicians. It is also providing discounts for buyers of wood products including furniture, doors, picture frames, blinds and flooring in the major consuming countries of the Western world, while Singaporean and Malaysian businesses acting as middlemen in this dirty trade stand to make a tidy sum.

In an attempt to curb the rampant illegal logging destroying the country's forests, in 2001 the Government of Indonesia (GOI) banned all cutting and export of ramin wood (*Gonystylus spp.*) and placed the species on Appendix III of the Convention for International Trade in Endangered Species (CITES), an international treaty to which 155 countries including Singapore and Malaysia are signatories. Ramin, which grows only in Indonesia and Malaysia, was being illegally logged in several Indonesian National Parks, including Tanjung Puting, one of the last strongholds of the endangered orangutan. The CITES listing meant that ramin could only be traded internationally with official government permits. The listing came into effect in August 2001. In a further attempt to halt exports of illegal timber, the GOI also implemented a total ban on the export of logs in November 2001.

At a meeting in Indonesia in September 2001, ten nations of South East and East Asia adopted a Declaration on Forest Law Enforcement and Governance (FLEG), in which they acknowledged the scale of the problems of illegal logging and international trade in illegally logged timber and committed to working together to tackle them. Singapore and Malaysia have both refused to join this regional effort.

The profit motive driving this illegal business is clear. In terms of ramin, EIA/Telapak research shows that while illegal loggers in Kalimantan receive around US\$2.20 per cubic metre, the processed timber can fetch around US\$1000 on the international market. Between these two extremes is a web of timber brokers, often based in Malaysia and Singapore, making huge profits.

The failure of Singapore and Malaysia to support the FLEG process and Indonesia's log export ban, combined with their failure to implement and enforce the ramin CITES listing, is critically undermining the effectiveness of these initiatives and allowing the plunder of Indonesia's forests to continue. EIA/Telapak investigations have shown that illegal ramin continues to be traded through Singapore and Malaysia in breach of CITES regulations, while Malaysia continues to openly import illegal Indonesian logs.

Malaysia – Appetite for Destruction

While Malaysia's forests have dwindled and domestic log production has declined, the country's wood processing industry has maintained a massive installed capacity. With tropical timber exports worth US\$2.5 billion a year and wood furniture exports valued at over US\$1 billion,⁽⁶⁾ much of this industry is reliant on imports of illegally logged Indonesian wood. An estimated three to five million cubic metres of illegal Indonesian timber enters Malaysia every year, through ports in Peninsular Malaysia, Sarawak and Sabah and across the land border with Kalimantan. Over the last three years EIA/Telapak have repeatedly documented illegal Indonesian wood including ramin entering Malaysia at Sematan, Lubok Antu and Tebedu in Sarawak, and in numerous locations on the west coast of Peninsular Malaysia – often with official complicity.⁽⁷⁾

An EIA/Telapak investigation in Sarawak in August 2000 compiled information on the role of the Harwood Company, a division of the state-owned Sarawak Timber Industry Development Corporation, in processing illegal Indonesian timber from Kalimantan. The timber is imported at three designated depots – Tebedu, Lubok Antu, and Sematan. Harwood levies a fee of around US\$6 per cubic metre for sorting the timber and issuing paperwork. At Sematan, boats flying Indonesian flags were witnessed unloading rough sawn timber at the Harwood facility. EIA/Telapak witnessed 60 trucks in a single day journeying from Sematan to the timber factories in Kuching, each one carrying around a tonne of timber. At the second site, Lubok Antu, EIA/Telapak observed large amounts of timber at a Harwood facility near the border with West Kalimantan. Sources on the Indonesian side of the border stated that around 50 trucks cross the border every day, and that many of the sawmills in the area are owned by Malaysian businessmen based in Sibul.⁽⁸⁾

The trade continues. In June 2002 Indonesian authorities seized fifteen trucks laden with illegal timber which were

attempting to cross the border from West Kalimantan into Sarawak. Five of the trucks had Malaysian number plates. Indonesian authorities claim more than 100 trucks per day had been seen ferrying wood into Malaysia at one crossing point at Entikong, and they estimated that as much as 500 000 cubic metres of illegally sourced wood is crossing from West Kalimantan into Sarawak every month.⁽⁹⁾

After the ramin CITES listing came into effect on 6th August 2001, an EIA/Telapak team conducted a survey of the west coast of Peninsular Malaysia. At the port of Batu Pahat EIA/Telapak observed small wooden boats flying Indonesian flags offloading unmarked logs at a container yard. EIA/Telapak also entered the log yard of a company called E.S.Ng Holdings, and witnessed an Indonesian barge with unmarked logs being unloaded. Crew members on the barge confirmed that the timber had come from Kalimantan and was ramin, despite the CITES listing which should have made its import illegal under Malaysian law. The log yard had an immigration facility for the Indonesian sailors. Further north at Melaka, EIA/Telapak witnessed scores of small Indonesian boats unloading logs, including ramin, at a wharf near the town centre. Conversations with crew revealed that the timber was coming from Riau, one day's sailing across the Melaka Straits.⁽¹⁰⁾

An estimated three to five million cubic metres of illegal Indonesian timber enters Malaysia every year

Below: Illegal Indonesian logs at Melaka, Peninsular Malaysia, August 2001



Illegal Indonesian logs continue to be imported into Malaysia in full view of the authorities

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Above: Illegal Indonesian logs at Kuala Linggi, Peninsular Malaysia, October 2002

In November 2001 Indonesia's log export ban, put in place as an attempt to curb illegal logging and trade, came into force. In a meeting with the Indonesian Minister of Forests on the 1st November, the Malaysian Minister of Primary Industries pledged to support the ban, and to reject all logs from Indonesia.⁽¹¹⁾ While the highly visible landing jetty at Melaka was shut down some time later, in May 2002 EIA/Telepak investigators discovered the site of a new, larger replacement timber unloading facility in Malaysia at Kuala Linggi, on the state border between Melaka and Negeri Sembilan. On two separate visits boats flying both Indonesian and Malaysian flags were observed unloading logs. The new facility has six cranes for unloading and a government customs post. From observations it was estimated that the Kuala Linggi site was handling around 15 000 cubic metres of timber a month.⁽¹²⁾

Revelations in the media prompted by EIA/Telepak's investigations pressured the Malaysian Minister of Primary Industries to announce an immediate ban on imports of logs from Indonesia into Malaysia on 25th June 2002. It was reported that this step was taken in order to support the Indonesian log export ban, and also to erase negative perceptions of the Malaysian timber industry.⁽¹³⁾

Four months later EIA/Telepak re-visited the west coast of Peninsular Malaysia and discovered that the Kuala Linggi site was still very much in operation. Numerous small wooden vessels were seen unloading round logs and flitches (roughly squared logs). Local sources confirmed that all the timber was coming from Indonesia. Despite the reported ban, trucks loaded with round logs were seen passing the customs post at the Kuala Linggi jetty. The Indonesian log export ban includes roughly squared logs but it appears the Malaysian import ban does not. The increase in the quantity of flitches seen indicate that companies are circumventing the new controls by roughly squaring the logs in Indonesia before transporting them. Nevertheless, the quantity of round logs seen at Kuala Linggi showed that even for those products which it does cover, the new regulation was being openly flouted.⁽¹⁴⁾

Recent EIA/Telepak investigations along the west coast of Peninsular Malaysia carried out at the beginning of April 2003 have shown that not only do illegal Indonesian round logs continue to be imported in breach of the new regulation and in full view of the authorities, but that these imports also include illegal Indonesian ramin.

While the port of Kuala Linggi was quiet when visited in April this year, in Muar in Johor State investigators witnessed 32 Indonesian wood vessels fully loaded with illegal logs from Sumatra in the space of just one hour. The ships, many of which were flying Indonesian flags and all of which were manned by Indonesian sailors, were observed passing a police boat and queuing at an official Malaysian Customs jetty to enable the crews to have their passports stamped. The ships were then seen unloading the logs onto waiting trucks at three separate large landing areas just upstream. Local sources confirmed that all the timber is from Indonesia and that at least this many boats arrive every day. One source stated that around one in every ten of the boats carries ramin.⁽¹⁵⁾

At the same time in Batu Pahat EIA/Telapak investigators again witnessed logs being unloaded from Indonesian flagged vessels. There are four separate timber landing areas in the town. Boats from Sumatra must pass police and customs vessels to reach them. Investigators met with the boss of one Malaysian timber company which was overseeing the landing of logs at one of the busiest wharfs. On the wharf where



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Indonesian boats were unloading their illicit cargo they were shown a large pile of fresh ramin logs which they were told the company imports from Indonesia. The investigators were shown round a nearby mill where the ramin and other Indonesian timber was being sawn and processed, ready for export.⁽¹⁶⁾ Only a week earlier, Indonesian Customs in Riau, 60 kilometres across the Melaka Straits, had intercepted a boat carrying 500 ramin logs which was heading for Batu Pahat.⁽¹⁷⁾

Above: Illegal ramin logs from Indonesia in Batu Pahat, Malaysia, April 2003



© Mardj Mningansi/Environmental Investigation Agency/Telapak

Left: Illegal Indonesian logs unloading at Muar, Peninsular Malaysia, April 2003

Singapore – “Smuggling timber is OK”

Singapore is also a hub for the illicit timber business. Despite having no forests of its own, Singapore is home to a thriving timber industry. Much of the wood from nearby producer countries passes through Singapore on its way to the major markets of East Asia, Europe and the US. Information obtained by EIA/Telapak has

shown how Singapore is also profiting from the laundering of illegal Indonesian timber, including ramin.

It took the authorities in Singapore five months to implement the ramin CITES listing in domestic law. Some months after the ramin ban and CITES listing took effect, an industry insider in Indonesia was quoted in the press saying that illegal Indonesian ramin was being smuggled to Singapore, legalised and then re-exported to Indonesia to feed ramin factories there.⁽¹⁸⁾ Evidence to back up this claim comes in the form of a number of seizures of ramin and other illegal wood made by Indonesian authorities in 2001 and 2002 which had been destined for Singapore.⁽¹⁹⁾

Singaporean Customs figures also appear to confirm the country’s role in the illegal ramin trade. Since the ramin CITES listing, in the sixteen months from August 2001 to November 2002, Singapore recorded re-exports of around 19000 cubic metres of sawn ramin, but during the same period they only recorded imports of 6000 cubic metres - all from Malaysia. The excess ramin did not come from sawn logs, and could not have come from stockpiles. The discrepancy of 13000 cubic metres cannot be explained other than by undeclared (ie illegal) imports.⁽²⁰⁾ An analysis of US Customs documentation also shows that more than US\$3 million worth of ramin which had been shipped from or through Singapore arrived in the US between September 2001 and July 2002 without CITES permits.⁽²¹⁾

Right: Illegal ramin from Indonesia seized in Singapore in October 2002



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Below: Ramin being unloaded from vessel with Indonesian flag, Jurong Port, Singapore, April 2003



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In October 2002, acting on a tip-off, Singaporean Customs raided the yard of a timber company in the Sungei Kadut industrial estate and found 120 tonnes of sawn ramin which had been imported illegally from Indonesia in six separate shipments.⁽²²⁾ At the same time, EIA/Telapak investigators carrying out a survey of the availability of ramin in Singapore spoke with one company executive who admitted to smuggling ramin using the ‘cover’ method, whereby illegal wood is hidden in a container under legal wood. Another offered a special price for Indonesian ramin which had been ‘medicated’ – ie legalised.⁽²³⁾

The one-off seizure has not stopped the smugglers. In April 2003, EIA investigators posing as timber buyers visited a timber yard in the same street as that which was raided by customs six months earlier, and were shown illegal Indonesian ramin. The factory owner explained to EIA investigators that he makes “illegal payments” to obtain permits to show to the Singaporean authorities and also imports as much as five times the amount recorded on the permits. He then re-exports three to four containers of this illegal Indonesian sawn ramin every month to China under a false species name. From there some of the ramin is exported to the USA as semi-processed wood. A business friend from another company in the industrial estate who was present at the meeting was also introduced as a timber smuggler. Recorded on camera counting large bundles of US\$100 notes, the friend replied that “drug smuggling is no good, but smuggling timber is OK”.⁽²⁴⁾

Criminal Connections

Singapore's involvement in the trade in illegal timber from Indonesia is not confined to ramin. These are just a small sample of known cases.

- **February, 2003:** Singapore flagged and owned cargo vessel detained off Aceh carrying 4 500 cubic metres of illegal logs.⁽²⁵⁾
- **Early 2003:** Singapore flagged and owned vessel, detained near Sorong, West Papua, with illegal merbau logs.⁽²⁶⁾
- **December 2002:** Indonesian armed forces seize three ships in waters off Sumatra carrying 225 tonnes of illegal wood. The ships were carrying the wood to Singapore. A fourth ship evaded capture and escaped to Singapore.⁽²⁷⁾
- **October 2002:** Indonesian Navy seizes tugboats carrying 85 containers of illegal timber worth more than US\$9 million. The ships were on their way to Singapore.⁽²⁸⁾
- **June, 2002:** Customs agents in Batam seize two ships carrying 105 cubic metres of illegal ramin destined for Singapore.⁽²⁹⁾



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Above: A Singaporean company is recorded on hidden camera offering illegal Indonesian ramin to EIA/Telapak investigators. The wood was being kept hidden in a container in the company yard



Above: Illegal Indonesian ramin seized in Indonesian waters en route to Singapore, June 2002

Singapore is a hub for the illicit timber business

Conclusions

- Indonesia's forests are being wiped out by illegal loggers.
- Large quantities of illegally sourced Indonesian timber are being traded through Malaysia and Singapore.
- Despite protection under an international convention, endangered Indonesian ramin wood is being laundered on to international markets through Malaysia and Singapore.
- Malaysia's ban on imports of illegal Indonesian logs is not being effectively implemented or enforced.
- Malaysia and Singapore have failed to join regional and international efforts to tackle the trade in illegal timber, while they continue to profit from the destruction of Indonesia's forests.

Recommendations

- Malaysia must immediately enforce its ban on the import of Indonesian logs, include squared-off logs in the ban and shut down the log landing wharfs on the west coast of Peninsular Malaysia.
- Ramin only grows in two countries. While Malaysia and Singapore continue to launder illegal Indonesian ramin into world markets, no ramin can be trusted. Given this, all ramin trade must end. Consumers and consuming countries must refuse to accept any ramin as legal.
- The governments of Singapore and Malaysia should formally endorse the Bali Ministerial Declaration of the East Asia Forest Law Enforcement and Governance (FLEG) Conference and draw up an action plan to pursue the commitments contained therein. They must co-operate with Indonesia to halt the trade in illegally sourced Indonesian wood.
- The consuming countries of East Asia, Europe and America must enact new laws banning the import of timber and wood products which have been illegally sourced.

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