

Suspect timber from Indonesia

Timber imported by Jongeneel and PontMeyer



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Content

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Handel kent grenzen!

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The **Filthy Five**

The Filthy Five – Series foreword

This is the fourth part of a five-part series published by Friends of the Earth Netherlands, entitled the Filthy Five. The series is about large Dutch companies that are involved in environmental problems abroad or are proposing to participate in a project that will result in environmental damage. Each of these companies states that it abides by the rules and most of them will tell you that they now have their own environmental and social policy.

What it's all about, though, is how these companies behave in their day-to-day business practice. Are their operations socially responsible? Do they really obey the laws of the countries in which they are active? Do they act in accordance with OECD guidelines,¹ ILO treaties² and their own policy? Or do they say they comply, but things are different in practice? And what about practices that are not directly covered by the law? After all, some countries do not have any strict environmental standards, or such standards as do exist aren't consistently observed. And how much responsibility do Dutch companies accept for what happens among their suppliers, customers or subcontractors – what is called the chain of responsibility?

In *The Filthy Five*, Friends of the Earth Netherlands reveals that major Dutch companies sometimes present themselves as far better and far greener than they actually are: that companies often have a beautifully formulated policy, set down in their glossy annual (environmental) reports, but in developing coun-

tries, where regulations are sometimes less than strict or aren't observed, they cause environmental pollution, they destroy nature and cause social problems that would be unacceptable at home in Holland – frequently failing to observe national regulations and international treaties in the process. A number of these companies are less than scrupulous about the conditions under which their own employees work. By drawing attention to these problems, Friends of the Earth Netherlands hopes, first of all, to put pressure on the companies so that they will resolve existing problems. Business conduct in developing countries should be just as decent as it is in Holland. Secondly, we want to show that, if future problems are to be avoided, we need internationally binding rules that companies must obey. At present, companies too often make use of the absence of regulations, or they don't observe such regulations as do exist. The victims are local communities, employees, nature and the environment. Binding regulations must offer protection to them.

Moreover, the general public and special interest organisations must be given the opportunity to hold companies to account for their behaviour. Here lies a task for the Dutch Government: it must argue the case internationally.

Paul de Clerck
Friends of the Earth Netherlands Campaign Leader,
Globalisation and Environment

Executive summary

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Friends of the Earth Netherlands has investigated the importation of Indonesian timber by the two largest timber traders in the Netherlands, PontMeyer and Jongeneel. Research in the Netherlands has shown that both companies do business with several Indonesian suppliers. Four of these suppliers were investigated in more detail.

It was found that none of the four trade in sustainably managed forest products:

- Supplier PT Asia Forestama Raya buys illegally logged timber from several protected areas. The company also obtains timber from clear-cut concessions and from Tesso Nilo, a forest area with the greatest variety of species in the world and one of the last habitats of the endangered Sumatran elephant. Selective logging is permitted in these concession areas, but the concessions are poorly maintained, with illegal logging, forest degradation and forest fires as a result. PT Asia Forestama Raya markets its products with a claim to sustainability that is clearly misleading.
- Supplier PT Sola Gratia Plywood obtains timber from the PT Nanjak Makmur concession – a company that has been accused of involvement in illegal logging. The company also obtains timber from clear-cut concession areas. Sola Gratia Plywood also obtains timber from Tesso Nilo, where the concessions are poorly maintained, with illegal logging, forest degradation and forest fires as a result. Like PT Asia Forestama Raya, PT Sola Gratia Plywood markets its products with a claim to sustainability that is clearly misleading.

- Supplier PT Siak Raya Timber buys illegal timber from its own concessions and from protected areas. Timber is additionally obtained from clear-cut areas. Like the others, Siak Raya Timber obtains timber from Tesso Nilo. The Siak Raya Timber concession in Tesso Nilo is not sustainably managed, leading to illegal logging, degradation of the area, and forest fires.
- Supplier PT Tanjung Johor Wood Industries obtains illegal timber from Kerinci Seblat National Park.

The rate of deforestation in Indonesia is alarming. The fact that these four suppliers purchase illegally logged timber from protected areas is a clear signal that timber resources in Sumatra are drying up.

Illegal logging is a huge problem in Indonesia and a major cause of deforestation.

Of all the wood harvested in Indonesia, 72% is felled illegally. This has been common knowledge for years among Dutch timber traders, PontMeyer and Jongeneel in particular.

Despite this knowledge, both companies still import substantial quantities of timber from Indonesia with no independent, regular verification of its legal status. By doing so, both companies are shirking their responsibilities.

The current purchasing policies of both PontMeyer and Jongeneel are in violation of Dutch legislation, OECD

Guidelines, their own environmental policies and the new code of conduct issued by the Dutch timber industry organisation, VVNH. Both companies, however, present themselves in their annual reports and via their websites as responsible businesses. In reality, they do not practice what they preach, thus misleading both customers and government.

For years, now, WWF has proposed that Tesso Nilo should be a protected area. Friends of the Earth Netherlands, in partnership with the World Wide Fund for Nature, the Netherlands and Friends of the Earth Indonesia, have together drafted the demands below and they hold both Jongeneel and PontMeyer responsible for this illegal logging. They call on Jongeneel and PontMeyer to accept their responsibility by complying with the following demands:

1. Jongeneel and PontMeyer should acknowledge the deforestation problem and their role in it as purchasers of timber and timber products from controversial suppliers.
2. Jongeneel and PontMeyer should immediately stop purchasing timber and timber products from:
 - illegal sources, including sources associated with corruption, collusion and nepotism;
 - unidentifiable or unidentified sources (identification should be possible to forest level);
 - High Conservation Value forest;
 - areas with protracted conflicts between companies and the local population on land-rights issues;
 - conversion forests

- companies that process more timber than they can legally obtain from their own concessions or via verifiable contracts with third parties.
- 3. Jongeneel and PontMeyer should initiate a process, jointly with suppliers that are not associated with any or all of the above issues, leading to sustainable production within a specified period. The sustainability of the process should be verified by an independent third party.
- 4. Jongeneel and PontMeyer should develop a timber purchasing policy for all controversial regions and implement this policy within a specified time frame. This policy should include as a minimum:
 - Policy on source identification, including the development of a system to trace the origin of timber to its source (to forest level);
 - Policy on the ecological, social and economic sustainability of imported timber, including verification of sustainability by an independent third party;
 - Policy on the transparency of business activities, to include methods for informing customers about the origin and sustainability of the products sold.

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Introduction

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The illegal logging of tropical rainforest is a growing problem. Dutch companies are among those responsible for this destruction of the rainforest since illegally logged timber is traded in Holland. In 2000 the World Wide Fund for Nature published 'Origin Unknown', a research report by AidEnvironment.³ It was estimated that 10–20% of the total Dutch import of non-certified logs, sawn wood and plywood was of illegal origin. The report was intended to persuade timber importers to refuse timber that had been illegally logged or traded.¹ In December 2002, Friends of the Earth Netherlands and the World Wide Fund for Nature published a joint report entitled 'De verleiding van illegaal hout – Ondoorzichtige handel in Nederland' [The seduction of illegal timber – Untransparent trade in the Netherlands], which laid bare the ties between logging companies in Cameroon and timber traders in Holland.⁴ The report demonstrated that Dutch timber importers do business with shady Cameroon logging companies, involved in illegal logging. This was the first report to give a clear insight into the trade in illegal timber between Cameroon and Holland.

The present report is devoted to timber from Indonesia, which was chosen because a great deal of timber is imported from Indonesia into Holland, while timber is logged and traded illegally there on a massive scale. Millions of hectares of rainforest are being denuded to produce hardwood and to make space for pulpwood and oil palm plantations. The investigation concerned the two largest timber traders in Holland: PontMeyer and Jongeneel. Both companies are prominent members of the Vereniging van Nederlandse Houtondernemingen (VVNH), the timber industry's trade association. Four suppliers to Jongeneel

and/or PontMeyer were investigated further in Indonesia. The main target was the Raja Garuda Mas Group since this company enjoys a good reputation in Holland. The province of Riau on Sumatra was selected as deforestation and illegal logging are rife there.

The first few chapters of this report present the companies and describe the deforestation issue and the results of the investigation. The last two chapters examine PontMeyer's and Jongeneel's actual purchasing policies, measuring them against a number of relevant regulations and codes of practice. One can thus see whether the company adheres to the regulations and codes of practice and really is socially responsible in its business practice, or is only paying lip service to them.

This report puts the spotlight on a number of PontMeyer's and Jongeneel's Indonesian suppliers. The report does not indicate the share of illegal timber that is imported from Indonesia by these companies, nor the share of illegal timber on the Dutch market.

Author's note

The names of a number of informants have been left out of this report. Cases are known where people who supplied information or who stood up for their rights ended in gaol or were beaten up or even murdered. The author has therefore decided to take all possible care and to omit the names of such people.

* In this report the term 'illegal timber' refers to timber that has been illegally logged and/or illegally traded.

The companies: PontMeyer and Jongeneel

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Building for tomorrow

Wood is one of nature's gifts. We should be grateful to Mother Nature for it. Market leader Jongeneel also bears its share of responsibility for the environment. Purchasing policy, for instance, is not just concerned with price and quality but also with responsible forest management.

Quotation from Jongeneel's website: www.jongeneel.nl April 2003

JONGENEEL

Jongeneel's parent company

Jongeneel's parent company, Koninklijke Jongeneel, founded in 1797, has since 1971 been part of the Deli Universal in Rotterdam. Deli Universal is in turn a fully-owned subsidiary of Universal Corporation, a listed American trading concern established in Richmond, Virginia.

Deli Universal's Timber and Building Products Division includes a number of subsidiaries in the Netherlands and Belgium, concerned with the trade in and distribution of timber and building products. Deli Universal's companies and the markets they serve are set out below:

Building industry suppliers

Jongeneel, RET-HIT, Heuvelman, RET-Astrimex, Bouter / Verti, Berga-Kiba, Dehagrom and Betim (Belgium)

DIY and garden

RET-DHZ, Steffex, Gouderak, Outdoor Life Products, Mafor, Jéwé and Bergenco

Universal Corporation, the parent company, achieved a turnover of US\$ 3,018 million (€ 3,555 million, accounting year ending 30 June 2001), resulting in a net profit of US\$ 11.7 million (€ 132.8 million). The company employs 26,000 persons.

In 2000 Deli Universal's turnover was more than € 1 billion, or roughly one-third of Universal Corp.'s entire turnover. Deli Universal employs approximately 2500 persons. According to its own estimate, Deli Universal has a share of roughly 20% of the Dutch market for timber and building materials. This makes the company market leader, together with PontEecen, which has a comparable market share⁵.

Jongeneel: key statistics

According to Jongeneel, the company is the largest supplier of timber, board and builders' finishing products in the Netherlands, supplying to professional builders and industry. The company employs 700 persons in 35 regional branches. Jongeneel supplies both small and large builders, the carpentry industry, manufacturers of staircases, window frames and doors, display stand and interior builders, the packaging industry and the furniture industry. In 2001 the Jongeneel Group had a turnover of € 252.1 million.⁶

Jongeneel's trade with Indonesia

On its website and in brochures Jongeneel states that the company supplies a number of products from South East Asia. Spokespersons for the Dutch timber trade estimate that Centraal Inkoop, Jongeneel's central purchasing organisation, is responsible for the import of approximately 25,000 m³ of meranti per annum. The exact quantity cannot be estimated accurately, however, as Jongeneel trades via an obscure network of timber agents and traders in both the Benelux area and South East Asia.

The investigation by Friends of the Earth Netherlands revealed a number of Indonesian suppliers to Jongeneel, including:

- PT Asia Forestama Raya, a subsidiary of Raja Garuda Mas
- PT Balikpapan Forest Industries, a subsidiary of Korindo
- PT Rimba Sunkyong
- PT Efrata Indah
- PT Segara Timber
- PT Siak Raya Timber
- PT Sola Gratia Plywood
- PT Narindu

In a letter dated 8 April 2003, Friends of the Earth Netherlands informed Jongeneel about the Indonesian suppliers whose timber they had found on the company's loading docks. The letter went on to ask Jongeneel how the company can guarantee that the timber supplied comes from legal, sustainable logging. Jongeneel's response was that the company 'cannot at this time confirm that not a single splinter of timber is sold that has been illegally logged'.⁷ Jongeneel's complete response is given in Appendix 1.

Timber is a valuable natural product. As the largest supplier of timber in the Netherlands, naturally we treat the material with the greatest care. Our timber is imported from countries where sustainable forest management is guaranteed, like Scandinavia, the USA and Canada.

Quoted from the PontMeyer website: www.PontMeyer.nl April 2003

PONTMEYER

PontMeyer's parent company

PontMeyer is part of PontEecen N.V., which came into existence in early 2000 as a result of a merger between PontMeyer and what the former Eecen Houtgroep Nederland. The business is established in Zaandam and employs about 1600 persons. The company's clients number both professional builders and industrial concerns, as well as other users, such as maintenance services.

PontEecen is split into a number of divisions, including the trading companies division, which includes all PontMeyer branches. The wholesale division includes PontCentrop Houtimport, Trima, and De Twee Gebroeders. The specialist division includes Van Dam Bunnik (timber traders) and Goodwood. Finally, the major timber suppliers division includes Van Riesen Goes, Kunst Oberman (Groningen), Houthandel Vries (Groningen), Oberman Oppedijk (Heerenveen), Van Dam Groeneboom (Terborg), Koninklijke Houthandel Eecen (Oudkarspel), and PontMeyer Tilburg.



Degraded forest due to illegal logging at the border of Tahura Wildlife reserve

FOTO: ERIC WAKKER, AIDENVIRONMENT

In 2001 PontEecen recorded a net turnover of € 462.4 million, with net profits of € 9.2 million.⁸

PontMeyer's head office is also located in Zaandam. The company states that, with more than 60 branches, it is the largest supplier of timber and board in the Netherlands. Besides timber, PontMeyer also supplies building materials, tools, finishing materials, doors and interior merchandise.

PontMeyer's trade with Indonesia

On its website, PontMeyer states that the company imports all its own timber and board. The material arrives at the PontEecen terminal in Zaandam by boat or lorry, whence it is distributed to the branches in Holland. According to industry spokespersons, PontMeyer is responsible for the import of approximately 30,000 m³ meranti per annum. The exact quantity cannot be estimated accurately, however, as Jongeneel trades via an obscure network of timber agents and traders in both the Benelux area and South East Asia.

The investigation by Friends of the Earth Netherlands revealed a number of Indonesian suppliers to PontMeyer, including:

- PT Asia Forestama Raya, a subsidiary of Raja Garuda Mas
- PT Balikpapan Forest Industries, a subsidiary of Korindo
- PT Sangkulirang Bhakti (or: Barito Pacific Timber)
- PT Rimba Sunkyong
- PT Siak Raya Timber
- PT Tanjung Johor Wood Industries

In a letter dated 8 April 2003, Friends of the Earth Netherlands informed PontMeyer about the Indonesian suppliers whose timber they had found on the company's loading docks. The letter went on to ask PontMeyer how the company can guarantee that the timber supplied comes from legal, sustainable logging.

In its response, PontEecen, PontMeyer's parent company, wrote that it 'cannot at this time completely guarantee that 100% of the Indonesian imports originate from legal logging'.⁹ PontEecen's response is given in Appendix 2.



Channel in forest area in the province Riau, Sumatra

FOTO: MILIEUDEFENSIE

Timber trade with Indonesia

Indonesia is a major exporter of timber to the Netherlands. In recent years, the Netherlands imported around 200,000 m³ re¹⁰ from Indonesia (see table).

Indonesia	1999	2000	2001
Unprocessed timber	1,000	0	0
Sawn timber	22,000	38,000	27,000
Contoured timber	59,000	82,000	62,000
Plywood	78,000	38,000	59,000
Doors and window frames	59,000	40,000	56,000
TOTAL	219,000	198,000	204,000

Table 1: Timber and timber products imported from Indonesia (m³ roundwood equivalent). Source: Netherlands Central Statistics Bureau

Indonesian imports represent approximately 15% of all tropical timber imported into the Netherlands. The country also imports large quantities of timber from Malaysia: approximately 360,000 m³ re per annum in 1999–2000. It is no secret in the trade that a major part of this 'Malaysian' timber in fact derives from Indonesia. *Houtwereld*¹¹, the industry's own magazine, reported on the state of the market and estimated that 60% of the timber from western Malaysia may well originate from Indonesian forests, which would mean that Holland actually imported twice

as much Indonesian timber as the statistics show. In October 2001 Indonesia once again banned the export of roundwood, but the illegal export to Malaysia went on unhindered. International pressure caused Malaysia to announce an import ban on illegally exported Indonesian tree trunks. The pressure did not come from the Dutch trade; in light of the ban, they questioned whether Malaysia could fulfil the demand from the Dutch market. Since then the trade has complained about the limited supplies of cheap 'indobukit' available from Port Klang, Malaysia.

It remains to be seen whether the flow of illegal timber from Indonesia via Malaysia to the Netherlands has actually come to a standstill, as is suggested in the trade.¹²



Burning in Riau, Sumatra

FOTO: ERIC WAKKER, AIDENVIRONMENT

The timber industry's environmental damage in Indonesia

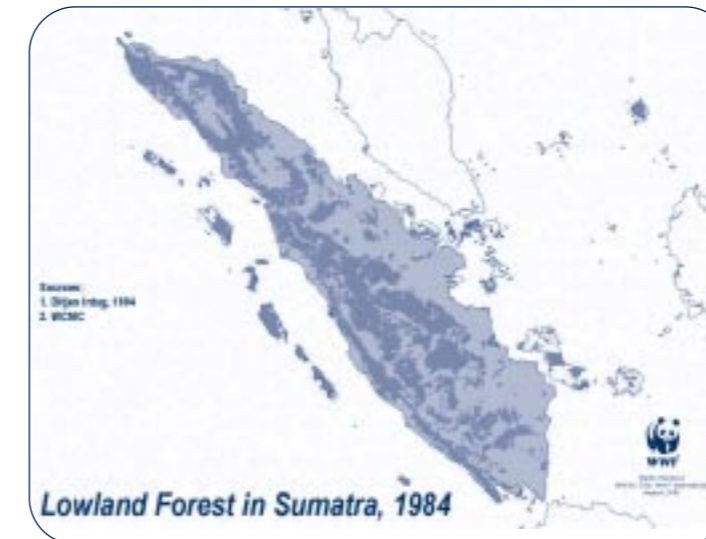
Deforestation

Deforestation in Indonesia is increasing alarmingly. The 1980s saw the disappearance of an average of one million hectares of forest every year. In the early 1990s the figure climbed to 1.7 million and since 1996 deforestation has increased to an average of two million hectares every year.¹⁴ For comparison: this is an area larger than one half of the Netherlands. The most threatened area is the rainforest of the Indonesian lowlands, originally the major source of meranti, merbau and bangkirai. According to a World Bank study, the lowland forests in

'... we must give our forests a chance to take a breath.'
Statement by President Megawati Sukarnoputri during a call for a logging moratorium, May 2002.¹³

Sulawesi have virtually disappeared. At the current rate of deforestation, the last forests in Sumatra will be felled in 2005 and in Kalimantan in 2010.¹⁵

Figuur 1: De ontbossing in Sumatra
Bron: WWF Indonesia



The process of deforestation began with the issue of an HPH (Hak Pengusan Hutan) – a concession for selective logging. In the 1970s and '80s, these concessions permitted the logging of those tree species that were commercially most valuable. In principle, an HPH concession ensures that the forest is managed sustainably, allowing it to supply tropical hardwood for all time. Sadly, this does not reflect reality.

In the early 1980s it was already apparent that the permanent production forests, as they were called, were being plundered. In 1990 the World Bank concluded that the vegetation in the concessions was harmed.¹⁶ More recent data from the Indonesian Forestry Ministry also show similar degradation of the forests. Research by Scotland et al. (1996) showed that only 17 million hectares of primary forest remained (30–50 years previously, Indonesia contained 144 million ha of forest). Of this, five million hectares was scheduled to be clear cut. Selective logging reduces the area of primary forest by one million hectares every year.

The researchers concluded that the timber industry would have to undergo a painful rationalisation and restructuring if it wished to maintain long-term employment.¹⁷

Illegal logging

Scotland's research cited above revealed a 'gap' between the timber processing industry's demand and the legal supply of 56.7 million re. Despite this gap, the factories were not put on short time, nor was a single factory closed. Scotland's analysis

'The country is almost certainly undergoing a species extinction spasm of planetary proportions.'
World Bank.¹⁹

led to the generally accepted conclusion that approximately 72% of the timber produced in Indonesia comes from illegal sources.

	million m ³ re timber	percentage
Processing industry capacity	51.1	
Timber exports	48.9	
Timber imports	21.9	
Actual need (calculated capacity + export – import)	78.1	100%
Legal production from concessions	21.4	28%
Difference (legal production – consumption)	56.7	72%

Table 2: Indonesia's timber balance, 1997/1998.
Source: Scotland, 1999

Clear-cut logging

Scotland assigned about ten million m³ re timber from the bare logging areas to the 'legal' timber category. In most cases this timber derived from old HPH concessions that were reclassified as conversion forest. These areas are clear cut to allow the planting of oil-palm or pulpwood plantations. In 1998, 16.57 million hectares of forest had already been released for conversion – about 40% of the previous 'permanent' forest.¹⁸

'I didn't realize that the situation could be as bad as what I've seen.'
Dato Param Cumaraswamy, United Nations' Special rapporteur on the independence of the judiciary after he visited Indonesia in August 2002.²⁵

Since many companies have business in both tropical timber production and the oil-palm and pulp industries, their interests lie in the most intensive logging possible in the HPH concessions, so that they can be transformed into plantations. The result is that great areas are lost for the future supply of tropical timber. This should be a great cause for concern in the Dutch tropical hardwood trade but, as far as is known, the Dutch timber industry has never sent such a message to Indonesia.

Consequences of deforestation

The environmental changes due to illegal logging are serious, even life-threatening. Indonesia has long lists of threatened plant species (including many trees) and animal species (including the orang-utan and the Sumatran rhino, tiger and elephant). According to a World Bank report, the loss of habitat means that Indonesia will almost certainly lose many species in the years to come.²⁰

The number of orang-utans and rhinos has declined by half during the last decade. The orang-utan is thereby threatened with extinction within 10 to 20 years.²¹

The deforestation has increased flooding, both the number of incidents and their seriousness. Landshifts are occurring, villages are being destroyed and villagers killed.

Coral reefs are silting up from the immense quantity of sediment carried away by the rivers. The logged areas are burned off, leading to thick curtains of smoke that cause millions of

people in Sumatra and Kalimantan to experience breathing difficulties. The fires release billions of tons of CO₂, which is a greenhouse gas. Water becomes polluted and poisoned. The water table has dropped in the river basins where logging has occurred.²² The rapid pace of development, coupled with weak legislation, is causing the disappearance of unique native cultures. The local populations are missing out on an essential source of income as the forests are stripped bare, or so degraded that they can barely supply the by-products honey and rattan.

Things have reached such a state that not one single protected area of forest in Indonesia is free of illegal logging activities.

The deforestation represents a purely temporary economic advantage to the people of Indonesia. The Forestry Ministry has calculated that the total loss of income due to illegal logging amounts to US\$ 600 million per annum – four times the annual government budget for the forestry industry.²³ Where the profits do not go into the pockets of corrupt officials, they are used to pay off the Indonesian Government's immense foreign debt.

Large-scale destruction of the forests in fact also undermines the interests of the tropical timber traders themselves. In the medium term there will be scarcely any productive tropical rainforest left. In the short term it's just unfair competition. In 2000 the UK trade magazine *Tropical Timbers* reported that the world plywood market is being undercut by the large supply of illegal timber from Indonesia. The magazine stated that the market price of Indonesian plywood is so low as to rule out competition by

producers committed to sustainable forest management, who were thus excluded from the international market.²⁴

Indonesian government policy

As early as 1997–8 the Indonesian government took the first hesitant steps towards restructuring the timber industry. A pioneering investigation by David Brown of Washington University showed, however, that while the restructuring led to shift in concession rights between the smaller groups of companies, the major groups – often intimates of the Suharto family – came through the reforms virtually unscathed. Concessions were withdrawn, certainly, but that was not accompanied by any reduction in processing capacity. This led to an immense increase in the timber shortage.²⁶

It will come as no surprise to anyone who is familiar with the corrupt Indonesian judiciary system that the government was unsuccessful in condemning the timber barons and corrupt senior officials for illegal logging. Ex-President Suharto's authoritarian regime was characterised by a high degree of corruption. Since his deposition in 1998 the system of corruption, bribery and nepotism, which was previously centrally organised, has now become a regional phenomenon, leading to the creation of a powerful regional elite. Reforms to the apparatus of the state have not been able to eliminate this corruption. In the index maintained by Transparency International, an organisation concerned with fighting corruption throughout the world, Indonesia is in the Top Ten most corrupt countries in the world.²⁷

The involvement of the military in illegal logging is widespread in Indonesia. A number of reports exist on military personnel who own sawmills, protect the barons and exert pressure to release illegal timber.

Research dating from 1999 revealed that, of the 25 illegal sawmills near the Bukit Tigapuluh National Park in Sumatra, 13 were 'protected' by armed troops.²⁸

The widespread network of barons and corrupt officials, and the associated 'old-boy's' network, mean that the national government's policy of reform has not really got off the ground.

Encouraging developments

In May 2002 President Megawati introduced a moratorium on logging. The Forestry Ministry added that a large part of the Indonesian forest has been destroyed by illegal logging, calling on other countries to increase controls to halt illegal timber imports. In July 2002 the Environment Minister Nabel Makarim announced the formation of a new 'incorruptible' team of law enforcers to combat environmental crime and the illegal logging of timber in particular. In August 2002 the Minister of Trade and the Forestry Minister jointly announced a new bureau, the Industrial Restructuring Group, which will test both the concessions and the processing industry against a number of criteria, such as technical and financial feasibility, a company's capacity to manage a forest sustainably, and the balance between a company's legal supply capacity and its actual processing capacity.²⁹

Despite the slow progress at the national level, there are clear shifts within the Forestry Ministry. The 2001 temporary ban on the export of tree trunks will probably be made permanent. In the face of international pressure, Malaysia has agreed to ban the import of tree trunks from Indonesia.

Indonesia and the UK have signed a bilateral agreement to jointly combat illegal logging in Indonesia and the transport of illegal timber from Indonesia to the UK. The UK is to provide technical and financial support for a tracing system and independent monitoring.

This agreement between Indonesia and the UK has acted as a catalyst, resulting in further agreements between Indonesia and Japan, China, the EU, Norway and Finland.



Orang-utan threatened with extinction?

After the gorilla the orang-utan is the world's largest primate. It dwells on the islands Kalimantan and Sumatra in Indonesia. It has been estimated that there are only 30,000 orang-utans left, the majority on Kalimantan. The greatest threat to the orang-utan is the loss of habitat due to commercial logging and the transformation of forest into agricultural land and plantations. The number of orang-utans has halved during the last decade. If this decline continues, the orang-utan will become extinct in the next 10 to 20 years.



Unloading at the Siak Raya Timber factory

FOTO: ERIC WAKKER, AIDENVIRONMENT

Environmental problems caused by suppliers

Friends of the Earth Netherlands asked the research bureau AIDEnvironment to conduct investigations on the ground in a number of protected areas of Indonesia. The investigation was aided by Walhi Riau, Friends of the Earth Netherlands's local associate.

The investigators discovered illegal logging in the protected areas they looked at. They uncovered who bought purchased the illegally felled timber and the companies to which it was transported. The field investigation used GPS (Global Positioning System) to determine the locations, photographs were taken, and the local population, illegal logging groups and transporters were interviewed.

The description of the companies is based on a number of sources, including the Indonesian government, local environmental organisations, and international organisations active in human rights and the environment.

Finally, the present author travelled to Indonesia herself to verify a number of matters on the spot.

Not all of Jongeneel's and PontMeyer's Indonesian suppliers have been investigated in detail; the investigation concentrated on four companies in Sumatra: PT Asia Forestama Raya, PT Sola Gratia Plywood – both of which belong to the Raja Garuda Mas Group – PT Siak Raya Timber, and PT Tanjung Johor Wood.

RAJA GARUDA MAS GROUP

Profile

Owner: Raja Garuda Mas Conglomerate (RGM), of which PT Asia Forestama Raya and PT Sola Gratia Plywood form part, is owned by Sukanto Tanoto (Tan Kan Hoo).³⁰

Nationality: Indonesian

Company structure

- Raja Garuda Mas Raja Garuda Mas is active among other things in the exploitation and processing of timber, pulp and paper manufacturing, and palm oil production. The company possesses several concessions for the production of timber, pulp and palm oil.
- PT Asia Forestama Raya PT Asia Forestama Raya PT owns three sawmills³¹:
 - PT Asia Forestama North Sumatra
 - PT Asia Forestama Raya Kota Pinang
 - PT Asia Forestama Raya Pekanbaru
- PT Sola Gratia Plywood PT Sola Gratia Plywood owns three sawmills in Dumai, Perawang and Kerinci.³²

The company PT Nanjak Makmur, which has an HPH concession in TessoMilo, is probably also a subsidiary of PT Sola Gratia.³⁴ The WWF has proposed that Tesso Nilo should become a national park.³⁵

Customers

Raja Garuda Mas supplies both PontMeyer and Jongeneel via PT Asia Forestama Raya, and Jongeneel via PT Sola Gratia.

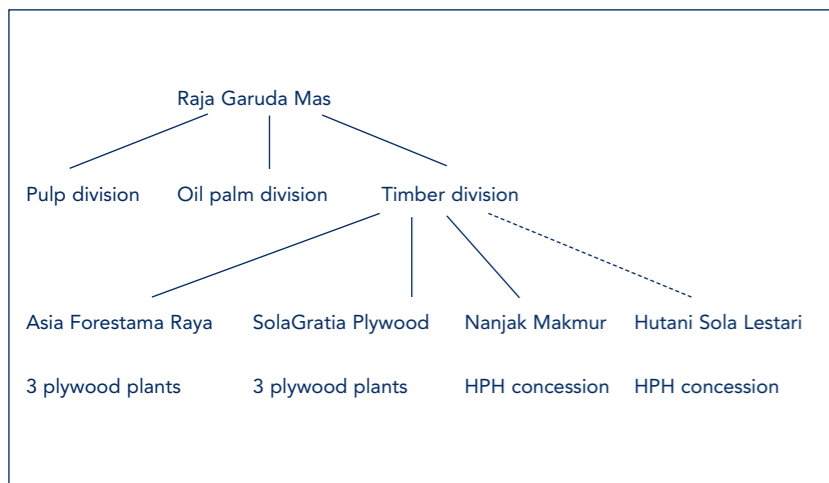


Figure 3. Structure of Raja Garuda Mas Group

Background

The owner of Raja Garuda Mas (RGM), Sukano Tanoto, is regarded as a business acquaintance of ex-president Suharto. Timber exploitation and production are among the RGM Group's major activities but are becoming increasingly overshadowed by the growing pulp and oil-palm divisions.

In recent years the pulp factories Asia Pacific Resources International Ltd. (APRIL) and PT Inti Indorayon Utama (currently PT Toba Pulp) – both parts of the RGM Group – attracted the attention of international NGOs and the media due to their involvement in large-scale deforestation, pollution and social conflicts. Under pressure from NGOs and the local population, APRIL undertook to honour a moratorium on further bare logging in the Tesso Nilo area, which had been proposed as a national park (see box), while Inti Indorayon was shut down by the government between 2000 and 2003. With the help of investors from Boston and Hong Kong, however, Toba Pulp has recently succeeded in re-opening their pulp plant, which led to new protests during which arrests were made.³⁴

RGM's oil-palm plantations (PT Inti Indosawit Subur, PT Asiagro Lestari and PT DAS) are also being followed critically by a number of NGOs due to their adverse impact on the tropical forest and the elephant population. Currently, the Asia Forestama Raya and Sola Gratia Plywood factories have access to only one (HPH) logging concession: PT Nanjak Makmur. Both factories possibly also obtain timber supplies from a second concession: PT Hutani Sola Lestari.³⁹



Fishing community close to proposed National Park Tesso Nilo, Riau, Sumatra
FOTO: MILIEUDEFENSIE

Tesso Nilo

The Tesso Nilo forest lies in Riau province in the central part of the Indonesian island of Sumatra. It has an area of 188,000 hectares. By far the largest area consists of tropical lowland rainforest. In 2001 WWF compared Tesso Nilo with nineteen other nature areas round the world, including areas of Brazil and Cameroon, and concluded that Tesso Nilo had the largest species diversity of all twenty.³⁶

This implies that Tesso Nilo forest has the largest species diversity on earth.

Tesso Nilo offers a refuge to a number of threatened animal species, such as the Sumatran elephant, Sumatran tiger, gibbon, tapir and a number of threatened birds and reptiles. The Indonesian Forestry Ministry estimated that, of the several hundred elephants in Riau

province, approximately 170 dwell in Tesso Nilo.

The majority of the area is currently allocated under HPH concessions to three companies: Siak Raya Timber, Hutani Sola Lestari, and Nanjak Makmur. Only selective logging is permitted in these concessions. The concessions are poorly managed and inspected, however, and are thus exposed to intensive, illegal logging, illegal poaching, and forest fires, all of which are degrading the forest.³⁷

In 1984 and in 1992 the Riau National Resources Conservation Bureau recommended that Tesso Nilo should become an elephant sanctuary. At that time the forest was 496,000 ha in area. Intensive lobbying by the local timber industry led the Forestry Ministry to reject both

the recommendations. In May 2001 WWF proposed to the minister of Forestry for Tesso Nilo to become an elephant reserve. Once again, the proposal was rejected under pressure from the local timber industry. In May 2002 WWF submitted yet another official proposal to the minister of Forestry that sought to reserve 153,000 ha of the remaining 188,000 ha as a National Park. The timber industry is also against this proposal and started intensive lobbying. No government decision has been taken as yet.

The licences for the area were due to expire in 2000. Just before the deadline, however, all licences were renewed for a further 20 years. If the area is not reassigned, this means that the companies will be able to continue logging for 20 years more.³⁸



Unloading at the Asia Forestama Raya factory in Pekanbaru

FOTO: WALHI RIAU

The Nanjak Makmur concession has a reported average annual timber production of 22,000 m³;⁴⁰ that of the Hutani Sola Lestari concession is 10,000 m³.⁴¹

Based on an average processing capacity of 325,000 m³ timber per sawmill, the two companies together have a demand of 2 million m³ of timber every year. In other words, both HPH concessions can only supply 1.6% of the plants' demands. This shortfall implies that either the processing plants have to cut capacity or they have to import timber from the 'free market', the largest part of which comes from deforestation and illegal logging.

PT Asia Forestama Raya (PT AFR)

PT Asia Forestama Raya owns three timber processing plants. The first sawmill is located in Besitang (North Sumatra). A second, smaller sawmill is located in Kota Pinang, south of Medan, the Sumatran capital. The third plant is in Pekanbaru in Riau province.⁴²

PT Asia Forestama Raya has two offices, in Medan and Jakarta. Asia Forestama Raya obtains part of its timber from two logging concessions, Nanjak Makmur and Hutani Sola Lestari.

PT Asia Forestama Raya uses a number of boats and lorries to transport its timber. The boats' names are:

1. Tb Bahar 1
2. TB Bahar 3
3. TB Bahar 5
4. TB Bahar 7
5. TB Bahar 9
6. KM Sentosa
7. KM Ekanusa
8. KM Erna 2
9. Ocean Pluto
10. Union Start

Illegal logging in the Taman Hutan Raya (Tahura) Minas Wildlife Refuge

Tahura Minas is a small nature reserve north of Pekanbaru, better known as the Riau Elephant Center. The local government declared the 5000 hectare area a wildlife refuge in 1992. The Tahura Minas protected area is currently in a very poor state. It has been estimated that at least two-thirds of the area is affected by illegal logging and deforestation to create plantations.

Field research in the area between 19 and 22 March 2003 revealed that illegally felled timber from the Tahura Minas wildlife refuge was taken to the PT Asia Forestama Raya sawmill in Pekanbaru. Illegal loggers from Muara Fajar sold the thin trunks to the PT Indah Kiat paper mill and the thicker ones to PT Rusna, a local sawmill, and PT Asia Forestama Raya. The illegal loggers receive RP 30,000 to 45,000 (about € 5) per ton of timber, the lorry driver gets RP 65,000 (~ € 8) per ton. The vendors were Jhony, Irill, Das and Aliong. Aliong sold his



Illegal logging in Wildlife Reserve Tahura Minas

FOTO: WALHI RIAU

timber directly to Asia Forestama Raya.⁴⁴ This information has been confirmed by comparing the licence plate of the lorries that hauled the timber out of the area with those of the vehicles that entered the Asia Forestama Raya sawmill. Two vehicles had the same licence plates: BM 9502 and BM 9581 AT.

Illegal logging in Giam Siak Kecil Wildlife Refuge

The Giam Siak Kecil Wildlife Refuge has an area of 50,000 hectares and consists of swamp forest, bog forest and lakes that are connected to the river Siak Kecil, which flows through the area. The reserve is a refuge for a number of threatened, rare mammals, including the Sumatran tiger and elephant.

Until 2001, Asia Forestama Raya worked in the reserve's buffer zone with another company that possessed a clear-cut logging permit. While this sort of logging cannot be called sustainable, it is legal. After 2001, however, logging continued in the area, which was reason enough for Walhi Riau to do a field investigation there from 9 to 24 March and 7 to 14 April 2003.

It turned out that more than 15 sawmills were located along the river Siput. A number of intermediaries are active, including Tirin, Sintal, Akam and Koing. Boats from Asia Forestama Raya (KM Sentosa, KM Ekanusa and TB Bahar) arrive weekly to purchase timber from these traders. The Village Chief of Desa Langkat stated that all the timber goes downriver to Asia Forestama Raya. He was absolutely certain of this as his villagers used the boats as transport.

In the neighbourhood of Tasik Kempas, a small lake in Giam Siak Kecil, the foreman of the logging group stated that at least half of the timber was sold to Asia Forestama Raya. The remainder was transshipped to Malaysia via Bengkalis, Indonesia.

A number of loggers were active in Pesingin, once again in the wildlife reserve, including Acuan, Epeng, Abas and Pen. The Village Chief stated that half the timber sold by these four was sold to Asia Forestama Raya. He too knew this because the villagers used the boats as personal transport. All four loggers were forced to surrender their timber to the police after a raid on 10 March. According to the villagers, the loggers had to pay one billion rupiah to buy their timber back. The investigation team could not trace the confiscated timber.

At a spot called KM 75, on the edge of the reserve, the investigators spoke to an employee of Asia Forestama Raya who applied the Asia Forestry logo. This person stated that all thin tree trunks were destined for the Indah Kiat pulp mill. The thicker trunks were transported to a storage area called KM 100, whence they were transshipped via the rivers Mandau and Siak on board Asia Forestama Raya boats: the PT Bahar 1, Ocean Pluto and KM Erna 2. The timber goes to Asia Forestama Raya, Siak Raya and Kampari Wood Industry.⁴⁵



Illegal logging in Wildlife Reserve Giam Siak Kecil

FOTO: WALHI RIAU

Illegal logging in the Nanjak Makmur concession

On 27 March 2003, The Indonesian Community for Forest Reform (MPI-R) lodged a complaint with the Forestry Ministry in Jakarta concerning the illegal logging activities of PT Nanjak Makmur in the concession bearing the same name. The timber goes to mills owned by PT Asia Forestama Raya and PT Sola Gratia Plywood.

MPI-R's complaint alleged:

- *Logging outside the concession boundary.* Field investigation by MPI-R used GPS coordinates to show that Nanjak Makmur had been logging along the rivers Sawaa n and Pamai, outside the boundaries of the concession, in the old Inhutani IV concession, now managed by the University of Lancas.
- *Logging without a valid, approved operations plan for 2003.* While the company had already felled 12,000 m³ of timber that year, it did not have the requisite licences.
- Non-payment of taxes.
- No compensation paid to the local population.

MPI-R demanded that the Ministry should immediately withdraw the company's logging rights. The local department of forestry is currently investigating the matter.⁴⁶

It is interesting to note that the Forestry Ministry had proposed the old Inhutani IV concession as the first part of the new Tesso Nilo National Park.

Illegal logging in Bukit Rimbang Baling wildlife refuge

In March 2002, a team of WWF and KDSA personnel (KDSA: Natural Resource and Conservation Department – a local government service) investigated the Bukit Rimbang Baling wildlife refuge. They first came across a few small-scale illegal logging operations in the park's buffer zone, but in the centre of the reserve the team encountered large-scale illegal logging. They came across a loggers' camp, heavy machinery and a number of lorries loaded with timber. The case was reported to the Forestry Ministry in Jakarta, which took action. A number of people were arrested and charged, including illegal loggers and the lorry drivers. The company behind the illegal logging got off scot free, however. Even though one of the lorry drivers named the company – 'The Raja Garuda Mas sawmill' (possibly PT Asia Forestama Raya) – the information was not included in the police report.⁴⁷



Timber stocked up in the river Siput

FOTO: WALHI RIAU

PT Asia Forestama Raya's involvement in unsustainable forest management

Timber from HTI concessions.

Besides HPH concession, which allow only selective logging, the Raja Garuda Mas Group also possesses HTI concessions (Hutan Tanaman Industri), which allows the forest to be stripped bare to turn it into plantations. Among these concessions are RAPP and Sumatra Sinar Plywood Ind. in Riau and the Inti Indo Utama Raya concession in North Sumatra.

Hundreds of thousands of tropical rainforest are thus being transformed into acacia plantations that supply pulpwood to the RGM pulp mill (this factory is currently consuming tropical hardwood).

The hardwood that is released by this clear-cut logging is also processed in the Asia Forestama Raya sawmills. Even though clear cutting is legal in principal, the practice cannot by any means be called sustainable.

Clear-cut logging in HPH concessions.

A major point about HPH concessions is that timber is logged selectively so that the forest is exploited sustainably. In a number of concessions from which PT Forestama Raya takes its timber, parts are clear cut and/or transformed into other types of land use. This can be seen by comparing the concession boundaries with satellite images. This type of clear-cut logging occurs, for example, in the PT Hutani Sola Lestari concessions.

These concessions lie in the Tesso Nilo area. Satellite photos in the possession of WWF show large scale clear-cut logging for the construction of a corridor through Riau. This clear cutting was initiated in July 2001 by Riau Andelan Pulp and Paper (RAPP), a subsidiary of Raja Garuda Mas, which at that time did not possess all the valid permits needed. During the operation, thousands of lorries drove in and out, transporting timber to the RAPP pulp mill. Under pressure from WWF, RAPP accepted a moratorium on further clear-cut logging in the area in March 2002. However, another Raja Garuda Mas subsidiary, PT Wahana Graha Lestari, is still continuing to clear cut in parts of the western section of the concession in order to create acacia plantations.⁴⁸

Timber supply from Tesso Nilo.

PT Asia Forestama Raya has part of its timber supplied from the HPH concessions Nanjak Makmur and Hutani Sola Lestari.⁴⁹ These concessions are entirely within the boundaries of Tesso Nilo, which scientists state is a forest containing the greatest diversity of species in the world and a major habitat for the protected Sumatran elephant. WWF Indonesia has requested the companies active in Tesso Nilo, including PT Nanjak Makmur and PT Hutani Sola Lestari, as a matter of urgency to protect parts of the concession and the exploit the forest sustainably so that the concession areas may soon be incorporated in the Tesso Nilo National Park.

In recent years, however, both concessions have been exposed to intensive illegal logging by logging groups and the local



Corridor in Hutani Sola Lestari
Lestari
FOTO: WALHI RIAU



Satellitemap Tesso Nilo, 2002.
The red contours are the borders of the proposed National Park, the pink spots indicate logging activities
FOTO: WWF RIAU



Timber from Asia Forestama Raya at PontMeyer Gorinchem
FOTO: MILIEUDEFENSIE

population; the companies have done little to prevent it. Moreover, PT Nanjak Makmur has itself recently been accused of illegal logging. Continual clear-cut logging in Hutani Sola Lestari has steadily degraded the forest there. Forest fires have been sighted in both concessions in the past three years.

Conclusion

Asia Forestama Raya's business practices are far from sustainable. The company processes far more timber than can be obtained legally from its own concessions, the majority of which comes from unknown sources. Investigations in the field have revealed that at least part of this 'unknown' timber is in any case the result of illegal logging, besides which, legal timber also comes from unsustainable forest management. On the one hand, Asia Forestama Raya obtains timber from clear-cut logging concessions, while selective logging concessions are poorly managed, with degradation of the area as a result. Asia Forestama Raya also obtains timber from Tesso Nilo, described by scientists as a forest with the largest species diversity in the world. PT Asia Forestama Raya markets its products with a claim to sustainability – Indonesian Sustained Yield Product – that is simply misleading.

PT Sola Gratia Plywood

This company owns three timber processing plants in Dumai, Perawang and Pangkarang Kerinci. A fourth sawmill has been closed.⁵⁰ Sola Gratia Plywood is closely connected to PT Nanjak



Timber from Asia Forestama Raya at Jongeneel Utrecht
FOTO: MILIEUDEFENSIE

Makmur: they share the same address and management and both are part of the Raja Garuda Mas Group.

Illegal logging in the Nanjak Makmur concession.

On 27 March 2003, The Indonesian Community for Forest Reform (MPI-R) lodged a complaint with the Forestry Ministry in Jakarta concerning the illegal logging activities of PT Nanjak Makmur in

the concession bearing the same name. The timber goes to mills owned by PT Asia Forestama Raya and PT Sola Gratia Plywood. For further information see the profile of Asia Forestama Raya.

PT Sola Gratia's involvement in unsustainable operations

Timber supplied from Tesso Nilo concessions. PT Sola Plywood also gets part of the timber supplied from the HPH concessions in Nanjak Makmur and possibly from Hutani Sola Lestari – concessions that lie entirely within the boundaries

of Tesso Nilo, a forest with the largest species diversity in the world and home to the protected Sumatran elephant. For further information see the profile of Asia Forestama Raya.

Clear-cut logging in HPH concessions.

Hutani Sola Lestari's concessions lie in the Tesso Nilo area. Satellite images of Riau in WWF's possession show large scale clear cutting for the construction of a corridor. For further information see the profile of Asia Forestama Raya.

Responsible for flooding.

In February 2003 the Riau Department of Koham (Human Rights Committee) announced it was going to file charges against 11 plywood and pulp mills in Riau. Koham stated that large-scale logging for which the companies were responsible had led to the present serious flooding in Riau. One of the 11 companies to be charged by Koham is PT Sola Gratia Plywood.⁵¹

Conclusion

The business practices of Sola Gratia Plywood are far from sustainable. The company processes far more timber than can legally be supplied from its own concessions. The majority of its timber comes from unknown sources. According the MPI-R,



Timber from Siak Raya Timber and Sola Gratia Plywood at Jongeneel Utrecht
FOTO: MILIEUDEFENSIE



Timber from Siak Raya Timber at PontMeyer Utrecht
 FOTO: MILIEUDEFENSIE

illegal logging is being done in the PT Nanjak Makmur concession. The case is currently with the local forestry department for further investigation.

Furthermore, legally supplied timber originates from unsustainable forest management. On the one hand, Sola Gratia Plywood obtains timber from clear-cut logging concessions, while the selective logging concessions are poorly managed, leading to degradation of the area.

Just like Asia Forestama Raya, Sola Gratia Plywood also obtains timber from the Tesso Nilo area, described by scientists as the forest with the greatest species diversity in the world. Sola Gratia Plywood, too, markets its products under the sustainability claim 'Indonesian Sustained Yield Product. This claim is simply misleading.

PT SIAK RAYA TIMBER

Profile

Owner: PT Siak Raya Timber is a subsidiary of KEA Wood Holdings, owned by Kea Kock Hing, a Singapore national.

Siak Raya Timber's customers include Jongeneel and PontMeyer.

Background

PT Siak Raya Timber owns a plywood plant on the river Siak in Suak Rengas. In 1996–7 this plant produced 160,000 m³ per annum. Close by is another plant, owned by PT Keawood, which has a capacity of 50,000 m³ per annum.⁵² Siak Raya Timber owns a single HPH concession (for selective logging) in the Tesso Nilo forest. In the past this concession had an area of 81,000 ha, but more than 50% of the concession has now been stripped bare to allow acacia planting. Currently the concession covers 38,650 ha.⁵³

Siak Raya Timber also owns three HTH concessions (clear-cut logging concessions for creating plantations) in the north of Tesso Nilo, covering 42,350 ha in total.⁵⁴ While the parent company, Kea Wood, maintains that all the timber it process comes from its own concession – 'Each Kea door is carved and crafted from kiln dried tropical timber felled from our own forests' – it is certain that Siak Raya Timber takes timber from other companies. For example, in 1997 and 1998 Siak Raya Timber bought timber from the Surya Dumai Group.⁵⁵

Illegal logging in the Giam Siak Kecil Nature Reserve

Giam Siak Kecil reserve covers an area of 50,000 ha and consists of swamp forest, bog forest and lakes connected to the Siak Kecil river, which runs through the area. The reserve is a refuge for a number of threatened, rare mammals, including the Sumatran tiger and elephant. A Walhi Riau investigation team conducted field investigations in the Giam Siak Kecil Nature Reserve from 9–24 March and 7–14 April 2003.



Satellitemap Tesso Nilo 2001.
 The dense roadnetwork in the Siak Raya concession is clearly visible
 BRON WWF RIAU

In the last place to be inspected by the team, a spot called KM 75 on the edge of the reserve, the investigators spoke to an employee of Asia Forestama Raya who applied the Asia Forestry logo. This person stated that all thin tree trunks were destined for the Indah Kiat pulp mill. The thicker trunks were transported to a storage area called KM 100, whence they were transhipped via the rivers Mandau and Siak on board Asia Forestama Raya boats: the PT Bahar 1, Ocean Pluto and KM Erna 2. Timber stored at KM 100 goes to Asia Forestama Raya, Siak Raya Timber and Kampari Wood Industry.

PT Siak Raya's involvement in unsustainable forest management

Timber supplied from clear-cut logging.

Since insufficient timber can be supplied from its own HPH concessions, Siak Raya is increasingly dependent on timber supplies from clear-cut areas. IN 2000 and 2002, Siak Raya Timber received permission to clear cut areas of 4,655 and 2,829 ha, respectively.⁵⁶ The Siya Raya plywood mill also received timber from this area. In March 2003, substantial quantities of small-diameter timber (25–40 cm) were observed in the storage area beside the sawmill.⁵⁷

Timber supplied from the Tesso Nilo concession.

Siak Raya Timber's HPH concession is entirely within the area of the Tesso Nilo forest that has been proposed as a National Park. Scientists state that this forest has the largest species diversity

in the world and is a habitat for the Sumatran elephant, which is threatened with extinction. Together with a concession further south, this concession is part of the best habitat for the Sumatran elephant.⁵⁸ WWF Indonesia has requested the companies active in Tesso Nilo, including Siak Raya Timber, as a matter of urgency to protect parts of the concession and to exploit the forest sustainably so that the concession areas may soon be incorporated in the Tesso Nilo National Park.

The reality, sadly, is that the area destined to become the Tesso Nilo National Park is currently under extreme pressure from forest conversion activities. At least 20% of the area is threatened with clear-cut logging so that pulpwood plantations can be created. Siak Raya is the main culprit.⁵⁹ The satellite map also shows the dense network of roads laid by Siak Raya in its concession, which allows illegal loggers to enter the area with ease.

WWF Riau's field investigation has revealed that between 1 June and 17 October 2001, 362 lorries carrying a total of 7,657 m³ timber exited the concession. If this is recalculated on an annual basis, it represents more wood than be logged in the concession. The timber is transported to a number of sawmills, including that if PT Siak Raya Timber.⁶⁰

Forest fires in the Tesso Nilo concession.

In 2001 and August 2002 a number of forest fires were observed in the Siak Raya Timber HPH concession in Tesso Nilo.⁶¹ Clear cutting the forest prior to creating plantations is



Timber from Tanjung Johor Wood Industries at PontMeyer Zwammerdam

often followed by burning off the leftover vegetation. This is illegal and the company is required to extinguish the fires.

Conclusion

Siak Raya Timber’s business practices are far from sustainable. Since timber supplies from its own HPH concession is inadequate, Siak Raya is increasingly dependent on timber supplies from elsewhere. The company accepts illegal timber, both from its own concession and from protected areas. Timber is also acquired from clear-cut logging areas.

The legal timber that is supplied does not come from sustainable forest management. Siak Raya Timber acquires timber from Tesso Nilo, an area that scientists have described as the forest with the greatest species diversity in the world. The Siak Raya Timber concession is not managed sustainably, however, leading to illegal logging, degradation of the area, and forest fires.

PT TANJUNG JOHOR WOOD INDUSTRIES (TJWI)

Profile

- Owner:** Casin Panels
- Nationality:** The CEO of TJWI is Daniel Nugroho H., a Singapore national.
- Customers:** In the Netherlands, TJWI plywood, stamped with the Wayang logo, is to be found at PontMeyer.

Background

The Tanjung Group has four subsidiaries active in the timber

industry, including Tanjung Johor Wood Industry. The processing capacity of the plants and the supply of timber from its own concessions were calculated in 1994/5 and 1997/8. The company had a shortfall of 238,000 m³ and 214,000 m³, respectively, meaning that timber had to be acquired from third parties.⁶² PT Tanjung Johor Wood Industry has a plywood / plasterboard plant in Jambi, Sumatra, with a total annual capacity of 150,000 m³. The Tanjung Johor Group currently possesses three HPH concessions, PT Seresta II, PT Nusalease, and PT Bina Samaktha, with a total area of 327, 2000 ha.⁶³

Illegal logging in the Kerinci Seblat National Park buffer zone

In December 2002, PR Seresta II (one of the concessions from which Tanjung Johor Wood Industries obtains its timber), was accused by the environmental organisation Pinag Masak in Jambi of involvement in illegal logging in the buffer zone of Kerinci Seblat National Park in Bangkok. Pinag’s field investigation revealed that Tanjung Johor Wood Industries had purchased illegal timber, felled in the park. The investigation revealed that 111 illegal sawmills were active in and around the park, selling their timber in Jambi (to PT TJWI), Bangkulu and South Sumatra.⁶⁴

In April 2003 a documentary called ‘Die Abholzer’, broadcast by the German TV Programme Arte, once more confirmed the involvement of Tanjung Johor Wood Industries. Even though Tanjung Johor Wood Industries has been prosecuted for accept-

ing illegal timber, the documentary showed that illegal timber from Kerinci Seblat National Park is still being transported to the company’s sawmill in Jambi. In an interview, an illegal logger who sold timber to Tanjung Johor Wood Industries, explained how the company attempts to stay out of the line of fire. He was paid RP 150,000 (€ 15) per tree trunk, but he was obliged to pay a monthly ‘licence fee’ of Rp 500,000 to the district forestry department and the police. He could even write his own licence, just as long as the forestry department got paid. He was advanced the monthly sum by an intermediary in Jakarta. This was how Tanjung Johor Wood Industries could remain out of shot in any official investigation. The illegal loggers or the forestry department ran the risk of prosecution, not the company.⁶⁵

Conclusion

Tanjung Johor Wood Industries’ business practices are far from sustainable. The timber supplied to the Tanjung Group from its own HPH concessions is insufficient to provide the plants with timber. The company is thus dependent on timber supplied from elsewhere. In order to secure its timber supplies, the company accepts illegal timber from Kerinci Seblat National Parks and other areas.



Tropical Rainforest in Sumatra, Indonesia

FOTO: ERIC WAKKER, AIDENVIRONMENT

Relevant regulation

Indonesian legislation

Forestry Act.

The Forestry Act went into effect in 1999 and is still in force. The following sections are relevant here:

- Section 49 holds licence holders responsible for forest fires that occur in the concession;
- Section 50 specifies what is prohibited. This includes:
 - 50.2 Any activity that harms the forest
 - 50.3a Illegal usage of the forest area
 - 50.3d Burning the forest
 - 50.3e Felling trees or harvesting forest by-products without a valid licence
 - 50.3f Obtaining, purchasing, selling or having in one's possession, forest products that have been obtained illegally
 - 50.3h Having forest products in one's possession without the associated valid documentation
 - 50.3j Introducing heavy equipment, normally used for loading forest products, without official authorisation
 - 50.3k Introducing equipment normally used for felling trees without official authorisation
- Section 78 sets the scale of punishment for violation of Section 50.

Government policy set in consultation with Consultative Group on Indonesia⁶⁶

Under the leadership of the World Bank, leading financial donors combined forces in 1999, forming a Consultative Group on Indonesia (CGI). One of the Group's priorities is the improvement of forest management. The Indonesian government has now committed itself to a 12-point plan for reform. Two of these points are important in the present context:

- Severe measures against illegal logging, especially in the national parks. and closure of all illegal sawmills.
- Evaluation of the forest conversion policy and a moratorium on conversion of natural forests until a new National Forest Programme has been implemented. This moratorium went into effect in May 2000.

Dutch legislation⁶⁷

According to Section 417b of the Dutch Penal Code, a trader who purchases timber while having a reasonable suspicion that the timber has been obtained by means of a misdemeanour is guilty of receiving goods knowing or believing them to have been stolen.

Section 417b:

1. Those found guilty of receiving goods knowing or believing them to have been stolen shall receive a gaol penalty of at most one year or a fine in the fifth category, as follows:
 - a. any person who acquires such goods, possesses them or transfers them and/or who confirms or transfers a

personal or commercial title to such goods while at the time said goods and/or title are acquired and/or confirmed he or she has or should have suspected that said goods and/or title were or had been acquired via a misdemeanour;

- b. *any person who for motives of commercial profit possesses or transfers goods and/or a personal and/or commercial title thereto while he or she has reasonable cause to suspect that said goods are or were acquired via a misdemeanour.*
2. *The same penalty shall be awarded to any person gaining commercial advantage from any goods while he or she has reasonable cause to suspect that said goods are or were acquired via a misdemeanour.*

OECD Guidelines⁶⁸

The Organisation for Economic Cooperation and Development (OECD) has drafted rules for the conduct of multinationals. These rules are intended to ensure that a company will exhibit decent social and environmental behaviour anywhere in the world. The following guidelines are relevant in the present context:

General principles:

- Companies should respect in full the existing policies in countries in which they operate. In this regard they should:
- Contribute to economic, social and ecological progress in support of sustainable development;
- Where possible, encourage their business relations, includ-

ing suppliers and sub-contractors, to apply rules of behaviour in their business that are in accord with the Guidelines.

Provision of Information.

Companies should guarantee that timely, regular and reliable information is published on their activities, structure, financial situation and performance.

- Companies are encouraged to set high standards in respect of non-financial information, including environmental or social reports.

Environment.

Companies should take adequate account of the need to protect the environment, public health and safety and generally to execute their activities in such a way as to contribute to the wider objective of sustainable development.

In particular they should:

- Supply timely information to the public and their employees about potential environmental, health and safety effects of their activities, including reporting on progress achieved in their efforts to improve their environmental performance;
- Continually attempt to improve their environmental performance by encouraging such activities as the following:
 - developing and supplying products that have no serious impact on the environment
 - raising their customers' awareness of the environmental effects of the use of the company's products.

VVNH Policy and future code of practice⁶⁹

The Netherlands Timber Industries Association (VVNH), with a

membership of 300 wholesale businesses, is the industry's central association in the Netherlands. The VVNH represents the interests of both the companies themselves and their employees. PontMeyer and Jongeneel are prominent VVNH members. The public debate on the production of timber and its sustainability led the VVNH to decide to draft a code of practice for its members. This new policy plan was accepted in November 2002, during the Association's General Meeting. This plan presents the VVNH's mission and code of practice. Companies have until the end of 2003 to sign up to the code of practice. In the present context, the following points are significant:

- VVNH Members shall market in the Netherlands only such timber as meets current law and regulations (agreed both nationally and internationally).
- VVNH Members shall preferably trade timber that demonstrably derives from sustainably managed forests.
- VVNH Members shall be transparent, constructive and open in respect of such matters as the origin, manner of logging, development of the forest of origin, biodiversity and other topics of current interest.

Jongeneel's own environmental objectives⁷⁰

Jongeneel's website carries the following statement on sustainable forest management:

- As market leader Jongeneel accepts its responsibility for the environment. Our purchasing policy, for instance, focuses not only on price and quality, but also on responsible forest management.

- Jongeneel's objective in the area of sustainable forest management is to draw its customers' and suppliers' attention to its importance.

PontMeyer's own environmental objectives⁷¹

In the 2001 Annual Report of PontEecen, PontMeyer's parent company, the policy is set down as follows:

- PontEecen's timber products are obtained from reliable suppliers and are as far as possible verifiably obtained from sustainable forest management.
- It is PontEecen's objective to acquire timber solely from sustainably managed forests.

PontMeyer's website contains the following statement on the environment:

- PontMeyer seeks to be open and responsible in respect of the environment and supports the initiatives that are being undertaken throughout the world to encourage sustainable forest management. Where possible, PontMeyer purchases timber from suppliers that supply products from sustainably managed forests. Among other things, this means that at least two trees are planted for every tree that is felled.

Jongeneel's and PontMeyer's response

On 8 April 2003, Friends of the Earth Netherlands sent letters to Jongeneel and PontMeyer, informing them that Friends of the Earth Netherlands had discovered in their branches in the Netherlands timber from at least seven Indonesian suppliers. In that context, Friends of the Earth Netherlands mentioned the serious problem of illegal logging in Indonesia (72% of total timber production) and its destructive effect on the country's forests.

The Friends of the Earth Netherlands letter further asked Jongeneel and PontMeyer whether, and if so, how the company could guarantee that only legal timber was being imported from Indonesia and what policy the company has on rejecting illegal timber. Both companies responded and their answers are reproduced in Appendices 1 and 2.

Jongeneel

Jongeneel writes that they 'cannot at this time confirm that not a single splinter of timber is sold that has been illegally logged. It is impossible to know the origin of each and every board or tree.' In the opinion of Friends of the Earth Netherlands, if Jongeneel cannot guarantee that no illegal timber is purchased, the company is negligent and does not accept its responsibility. A company that takes itself seriously must be able to guarantee the legality of its products.

Jongeneel states that it 'only does business with reputable suppliers', citing as

an example among them Raja Garuda Mas (RGM), the parent company of Asia Forestama Raya and Sola Gratia Plywood. Our investigation shows that even those companies that Jongeneel regards as reputable are involved in illegal activities and unsustainable practices.

Jongeneel subscribes to the VVNH Code of practice, writing that 'as soon as the information has been translated into English, the timber suppliers will be requested to conform to the supply of only legally logged timber. For the time being we must suppose that the guarantee demanded is satisfactory.' It strikes Friends of the Earth Netherlands as odd that Jongeneel has never yet demanded guarantees from its suppliers, given the extent of illegal logging in Indonesia. That Jongeneel supposes that the guarantees currently demanded are adequate is an indication that Jongeneel is still not taking the problem seriously. After all, in a country with so much corruption as Indonesia, a supplier's signature on a declaration of legal origin is a mere formality. Only independent, third-party assessment can give a definitive answer.

PontMeyer

PontMeyer writes that it is 'absolutely of the opinion that illegal logging should be eliminated in the Indonesian tropical forest', but the company believes that 'this is primarily the responsibility of the Indonesian government.'

In the opinion of Friends of the Earth Netherlands, PontMeyer is ducking its own responsibility. PontMeyer has been profiting for years from the import of cheap, illegally logged timber.

By accepting timber without question, PontMeyer shares the responsibility. Acting on the Friends of the Earth Netherlands letter, PontMeyer requested that its suppliers 'guarantee that the products they supply originated from legal concessions.' Friends of the Earth Netherlands finds it odd that PontMeyer is only now demanding guarantees of legality from its suppliers, given the large scale of illegal logging in Indonesia.

PontMeyer writes that it 'cannot at this moment in time completely guarantee that 100% of Indonesian imports come from legal logging since we do not (cannot) ourselves inspect all logging operation in that country.' It is the opinion of Friends of the Earth Netherlands that if PontMeyer cannot guarantee that no illegal timber is purchased, the company is negligent and does not accept its responsibility. A company that takes itself seriously must be able to guarantee the legality of its products.

PontMeyer emphasises that it 'does business only with suppliers with a good reputation'. This report shows that to be less than the truth.

How do PontMeyer and Jongeneel violate the regulations?

This chapter puts PontMeyer and Jongeneel to the test to see whether they operate as socially responsible businesses, observing the legislation and regulations, or are merely stating that such is the case.

Trading in illegal timber.

The report shows that PontMeyer's and Jongeneel's suppliers purchase illegal timber and offer it for sale. In their letters to Friends of the Earth Netherlands, PontMeyer and Jongeneel indicate that they are aware of the problems in Indonesia and that they cannot guarantee that no illegal timber is bought.⁷² Nevertheless, both companies purchase timber without any form of independent, regular, third-party verification of its legality, even though such specialised services have existed for years.

- Indonesian legislation prohibits the acquisition, purchase, sale or possession of illegally-obtained forest products (Sec. 50, Forestry Act). This carries a penalty of at most 10 years in gaol and a fine of RP 5 billion (Sec. 78, Forestry Act). All four suppliers are in violation of this Indonesian legislation. PontMeyer and Jongeneel state that they themselves cannot guarantee that they accept no illegal timber. This implies that they are aware that they may be acting in violation of Indonesian legislation. Moreover, trading in illegal timber is in conflict with Indonesian government policy, drafted after consultation with the Consultative Group on Indonesia (CGI).
- Under Dutch law it is punishable if goods (timber in this case) are acquired if it could reasonably have been supposed at the time of purchase that the timber had been

acquired via a misdemeanour. The Dutch timber trade – including Jongeneel and PontMeyer – knows full well that illegal logging is widespread in Indonesia. Nevertheless, neither company has a system for verifying the legality of timber from Indonesia, indicating in their letter to Friends of the Earth Netherlands that they cannot guarantee that no illegal timber is purchased. One can conclude from this that, at the time of purchase, there must have been a reasonable suspicion that the timber was acquired – at least in part – via a misdemeanour. That would indicate complicity.

- PontMeyer and Jongeneel do not observe the OECD Guidelines: they do not observe the general principle that companies should fully respect the existing policies in the countries where they do business, nor do they observe the environmental guideline which states that sufficient regard must be had to the need to protect the environment.
- Neither PontMeyer nor Jongeneel adhere to their own environmental policies. PontMeyer states that it 'seeks to treat the environment responsibly'. Jongeneel states that it 'accepts its responsibility for the environment.' Buying timber from Indonesia without verifying its legality does not indicate the responsibility that the companies state they aspire to,
- Given their current purchasing policy, neither PontMeyer nor Jongeneel fulfil the VVNH Industry Code of Practice, which states that VVNH members should market only timber that complies with current legislation and regulations. The Code of practice is due to enter into force in 2004. If neither company changes its purchasing policy, they will be in violation of this code.

Trading in timber from unsustainable logging

The report shows that all of Jongeneel's and PontMeyer's suppliers are involved in different ways in unsustainable practices: clear-cut logging of concessions, logging in and poor management of areas which scientists have classified as very species-rich, and forest fires in the concessions.

- By accepting products from Indonesian suppliers without verifying their sustainability, neither PontMeyer nor Jongeneel comply with the OECD guideline which states that businesses should pay sufficient regard to the need to protect the environment and that they should contribute to the wider objective of sustainable development.
- Jongeneel does not observe its own purchasing policy, which states that they look 'not just at price and quality but also responsible forest management.' Nor does PontMeyer observe its own purchasing policy, which states that 'where possible, timber is purchased from suppliers whose products come from sustainably managed forests.'
- With their current purchasing policies, neither PontMeyer nor Jongeneel can meet the VVNH Code of Practice, which states that members should preferably trade in timber from sustainably managed forests.

Information and transparency

PontMeyer and Jongeneel issue very little information, or none at all, on their products that originate from Indonesia. Secondly, they provide no verifiable information about their own purchasing policy. Thirdly, they supply no information on the validity of

the sustainability claim found on Indonesian products. In public, PontMeyer maintains that 'PontEecen's timber products are obtained from reliable suppliers and recognisably originate as far as possible from sustainably managed forests'. This information is misleading: it gives customers the impression that the Indonesian timber products originate from reliable suppliers. They may be reliable in terms of physical supply, but suppliers from sustainably managed forests they certainly are not.

PontMeyer wrote to Friends of the Earth Netherlands that it could not guarantee that all the timber imported from Indonesia comes from legal sources. PontMeyer cannot live up in practice to the promises made in annual reports and on their website. Moreover, PontMeyer's branches in the Netherlands have plywood in stock from Asia Forestama Raya, marked 'Indonesia Sustained Yield Product'. Even though this false claim is made by the Indonesian company, PontMeyer makes no effort to verify the claim, nor to remove it.

Their reporting on the origin and sustainability of the timber and the Indonesian suppliers with whom they do business is meagre in the extreme, certainly in view of the fact that PontMeyer is one of the largest timber importers in the Netherlands.

Customers can unknowingly and unwillingly buy Indonesian timber that may well originate from illegal logging, conversion forests or protected areas. Furthermore, the information is misleading for the general public and the government.

On these points, PontMeyer does not observe the OECD guidelines concerned with quality standards in their reporting

on the environment, nor the guideline on raising their customers' awareness of the environmental effects of their products. Moreover, PontMeyer's information policy does not fulfil the proposed VVNH code of practice, which states that VVNH members must be transparent, constructive and open on matters such as origin, logging method, development of the forest area, biodiversity and other topics of current interest.

Jongeneel maintains in public that 'As market leader Jongeneel accepts its responsibility for the environment. Our purchasing policy, for instance, focuses not only on price and quality, but also on responsible forest management.' If one were to suppose that in their choice of suppliers and subsequent purchasing, Jongeneel actually did take account of environmental performance, one would have to conclude that they were doing a poor job.

Besides which, Jongeneel wrote to Friends of the Earth Netherlands that it could not guarantee that the timber imported from Indonesia originated from legal sources. This flatly contradicts the assertion that purchasing policy also looks at responsible forest management.

Above all, Jongeneel promises to 'draw the attention of customers and suppliers to the importance of sustainable forest management.' The information that Jongeneel makes available to its customers is actually meagre in the extreme. Customers can unknowingly and unwillingly buy Indonesian timber that may well originate from illegal logging, conversion forests or

protected areas. Furthermore, the information is misleading for the general public and the government.

One can also question the way in which Jongeneel draw its suppliers' attention to sustainable forest management. There are no indications that the suppliers we investigated do much about sustainable forest management. Jongeneel does permit such suppliers as Asia Forestama Raya to make misleading environmental claims about their timber, though. Even though this false claim originates with the Indonesian company, Jongeneel makes no effort to check the claim, nor to remove it.

On these points, Jongeneel does not observe the OECD guidelines concerned with quality standards in their reporting on the environment, nor the guideline on raising their customers' awareness of the environmental effects of their products. Moreover, Jongeneel's present information policy does not fulfil the proposed VVNH code of practice, which states that VVNH members must be transparent, constructive and open on matters such as origin, logging method, development of the forest area, biodiversity and other topics of current interest.



Proboscis Monkey, an endangered species

FOTO: WNF

Conclusions

The tropical rainforest in Indonesia is in an alarming condition. Two million hectares are lost entirely every year; one million hectares of primary forest are stripped bare every year. It is barely imaginable, but Indonesia is running out of forest, despite the 144 million hectares of rainforest with which the country was blessed less than 30 years ago. One of the major causes of the destruction of this immense area of forest is excessive production in the timber processing industry, which bears no relation to the capacity of the forest to supply timber sustainably. This has led to a situation in which illegal logging has risen to 72%.

Deforestation is occurring throughout almost the entire the country. The Indonesian government is not able to halt it due to the acute state of lawlessness in the country, which means that illegal logging, corruption and the bribery of officials is the rule rather than the exception.

Those purchasers of timber products that ask no questions about the origin and sustainability of the timber are partners in crime. Among them are the Dutch companies Jongeneel and PontMeyer.

The investigation has revealed that Jongeneel and PontMeyer import timber products from Indonesian companies that are involved in unsustainable logging, forest conversion and logging in protected areas. One of the suppliers investigated even acquired timber from virtually every protected area in the province where it is active. Much of the Indonesian timber that Jongeneel and PontMeyer trade cannot come from anything

but illegal logging and unsustainable forest management. The present purchasing policy of Jongeneel and PontMeyer violates a variety of regulations and codes of practice, including Dutch legislation, OECD guidelines, and their own environmental policies. Furthermore, both companies issue false information that misleads their customers, the general public and government.

Urgent questions

When will importers finally accept their responsibility? Deforestation will continue for as long as customers continue to accept timber products from Indonesia without asking questions.

An important associated question is where Jongeneel and PontMeyer will get their timber products when the Indonesian forests have been stripped bare. Does this mean that they will transfer their activities to Iryan Jaya or Papua New Guinea, where some natural forest still remains? Or will they transfer their trade to the Amazon, meeting the demand of our market with plywood from Africa or Brazil? Will history then repeat itself in these areas?

Demands

Friends of the Earth Netherlands, The World Wide Fund for Nature (WWF) and Friends of the Earth Indonesia (Walhi) accuse Jongeneel and PontMeyer of complicity in the immense harm caused by the Indonesian companies from which they obtain their timber. They find that PontMeyer and Jongeneel must be able to guarantee that the timber products they purchase originate from sound ecological, social and economic sources.

Friends of the Earth Netherlands, The World Wide Fund for Nature (WWF) and Friends of the Earth Indonesia therefore demand that Jongeneel and PontMeyer – the two largest timber traders in the Netherlands – accept their responsibility now and that they comply with the following demands:

1. Jongeneel and PontMeyer must acknowledge the problem of deforestation and their part in it as purchasers of timber products from controversial suppliers
2. Jongeneel and PontMeyer must immediately cease purchasing timber products from:
 - Illegal sources, including sources involved in corruption (embracing corruption, collusion and nepotism)
 - Unidentifiable or unidentified sources (identification to the forest management unit level)
 - High Conservation Value Forest and protected areas
 - Areas of enduring conflict between the local population and the supplying companies concerning title to the land
 - Conversion forests (which can be clear cut)
 - Companies with a processing capacity that is greater than the company's capacity to supply timber from its own concessions or demonstrably legal third-party contracts
3. Jongeneel and PontMeyer must within a reasonable period of time initiate a process with those suppliers that are not involved in the above practices to arrive at sustainable production with independent, third-party verification.

4. Jongeneel and PontMeyer must develop a timber purchasing policy for all controversial regions and must implement this policy within a reasonable time. The policy must consist of at least:
 - Policy on the identification of all sources, including the development of a system for tracing the origin of the timber to its source (forest management area level)
 - Policy on the ecological, social and economic sustainability of the imported timber, including independent, third-party verification of sustainability
 - Policy on the transparency of business practice including ways to inform the customer about the origin and sustainability of the products sold.

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39. The current connection between PT Hutani Sola Lestari and RGM is unclear. In 1998 the concession was for several months in the hands of PT Wana Riau Sentosa / PT Sola Gratia (Raja Garuda Mas)
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49. PT Nanjak Makmur and PT Sola Lestari share the exact same address and telephone number, Nanjak Makmur is therefore considered to be a member of the RGM Group. See also <http://fahatan.unmal.ac.id/main/berita.htm> <http://www.kompas.com/kompascetak/0211/25/ekonomi/bppn13.htm> http://www.bppn.go.id/doc/ppak_02.pdf The present connection between PT Hutani Sola Lestari and RGM is not clear. In 1998 the concession was held for a few months by PT Wana Riau Sentosa / PT Sola Gratia (Raja Garuda Mas)
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- of the penal code can be found at: <http://isuisse.ifrance.com/emmaf/base/strafrecht2.html>
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Appendix



To: Friends of the Earth Netherlands
Attn: Mr T. Wiers
Donslab 26
180 LJ Amsterdam

Reference number: 011
Date: 25 April 2003
To: Friends of the Earth Netherlands
Via: Post 2003-0001
Tel: +31 (0)20 610 1100

Our ref.: 0125/AG/194P Date: 1 May 2003

Re.: Illegal timber from Indonesia

Dear Mr Wiers,

We have received your letter of 5 April referring to legal and illegal logging, with special reference to Indonesia, and we inform you as follows.

Jongeneel sells a great deal of timber, part of which comes from Indonesia. We acknowledge that some of the logging in Indonesia is still illegal. Nor can we at this time confirm that not a single splinter of timber is sold that has been illegally logged. It is at present impossible for us to know the origin of every board or tree. However, as you will know, Indonesia has now taken measures to stop illegal supply from the manufacture of plywood. We fully trust that the reputable factories with which we do plywood business in Indonesia – Karinda, R.K.K. and R.G.M., etc. are observing these measures and do not process illegally logged timber.

Another area of attention – perhaps the one you refer to in your letter – is solid timber and (joined / laminated) Meranti from Indonesia. We purchase our solid timber in Malaysia and the (joined / laminated) timber from Elitua in Indonesia. We asked the latter company in January 2002 to guarantee that it supplied to us only timber of legal origin. Jongeneel subscribes to the VVNH Policy Plan and the associated code of practice. This code has as its aim the cessation of trade in illegally logged timber. As soon as the policy plan is translated into English, all our timber suppliers will be requested to confirm with it in supplying only legally logged timber. For the time being we must suppose that the guarantee demanded is satisfactory.

- 1/2 -



In common with VVNH members, Jongeneel prefers to trade timber that can be demonstrated to have come from sustainably managed forests. Jongeneel has requested Chain of Custody for FSC from SGS for all its main branches in all regions and as of the middle of this year, all Jongeneel branches will be able to sell FSC timber, which then also guarantees the FSC flow of goods. We are also actively seeking suppliers that can provide us with sufficient quantities of FSC timber. Our efforts in this regard are directed particularly at Borneo.

We do not do business with the remainder of the companies named in your letter. We hope that the above has answered your letter satisfactorily, but we shall be glad to explain further in a personal meeting, to which you are cordially invited.

With our best regards,

CONNELLIKE JONGENEEL B.V.

Financial Director



Hand van Borker

Friends of the Earth Netherlands
Attn: Mr T. Wiers
Donslab 26
1800 GD Amsterdam

Date: 25 April 2003
Ref.: PNZjps

Re.: Restoring illegal timber

Dear Mr Wiers,

Just as many other, we absolutely share your view that illegal logging of the tropical rainforests in Indonesia should be banned. In our view this is primarily the responsibility of the Indonesian government and the lower tiers of government and organisations they appear to that end.

This does not alter the fact that the exercise of increasing pressure could well contribute to a quicker attack on the problem. We are certainly prepared to do so, whenever we make this standpoint clear to companies in Indonesia from whom we acquire materials.

To that end, we have asked the companies with which we do business and which appear in the list in your letter, to guarantee through the usual trade channels that the materials they supply us originate from legal concessions. We do not, incidentally, do business with all the companies you name. We cannot at this moment in time completely guarantee that 100% of Indonesian imports come from legal logging since we do not (annual) ourselves inspect all logging operations in that country. As stated above, we believe that this is a matter for the Indonesian authorities, in this case the Ministry of Forestry. We shall now insist on the supply of a Declaration of Origin for the relevant materials.

We would emphasize that PontMeyer only does business with suppliers of good repute. This holds not only for suppliers of tropical hardwood or board, but also for suppliers of materials from the boreal zone. For example, we acquire trees of thousands of m³ of softwoods from certified continuous forests in Scandinavia.





At the same time, our import companies PontCoating (softwoods) and Van Dam (hardwoods) are FSC C0C certified for products for which our customers demand FSC certification. We also participate in the Karahoun scheme.

In our annual report, which has now been released for publication, under the heading 'Environment', we write as follows:

As a supplier of timber, a natural product, Pont Eecten is acutely conscious of its responsibility to society. PontEecten works conscientiously according to the current rules of behaviour and thus acquires its products from reputable suppliers. We maintain a Green Policy, which means that we strive to acquire timber only from sustainably managed forests. It is for this reason that PontEecten fulfils the CoC requirements of the Forest Stewardship Council in respect of companies seeking to trade in FSC certified timber. Hardwood specialist Van Dam Borneo has received FSC certification in 2002. The Forest Stewardship Council supervises sustainable forest management in both tropical and boreal forests throughout the world.

We had expected to be able to offer a clearer picture our suppliers' responses by now. Sadly, we cannot yet do so. Nevertheless, we wanted to inform you about the current state of affairs before 30 April. We shall be happy to inform you further just as soon as we have gathered more information.

With our best regards,
PontEecten/PontMeyer

The: Frank A. Van Zanten

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