

Indonesia's Logging Fight

Smugglers Defy Crackdown To Feed Demand in China

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SURABAYA, Indonesia -- China's insatiable appetite for lumber and the resurgence of smuggling rings in Indonesia have undermined the Indonesian government's efforts to crack down on illegal timber exports from one of the world's biggest remaining tropical forests.

Two years ago, the government took aim at the illegal logging in its rainforests, which are among the most extensive -- and most rapidly disappearing -- anywhere. Illegal timber shipments from the huge province of Papua to China nearly stopped, environmentalists say. Following the clampdown, the flow of smuggled logs from Papua -- about 600,000 cubic meters of timber a month in 2003 -- dried to a trickle. Total illegal Indonesian timber shipments fell to three million cubic meters in 2006 from 10 million cubic meters in 2003, according to some estimates.

The crackdown had an immediate effect on timber prices in China, which accounts for almost half the global demand for tropical wood. In Shanghai, prices for merbau -- a rare hardwood found mainly in Southeast Asia -- doubled in six months to \$500 per square meter, environmental groups say.

But illicit trade in Indonesian wood is booming again as Indonesian loggers and Malaysian middlemen find new ways to feed China's demand. The revival of large-scale smuggling highlights the problems facing Indonesian President Susilo Bambang Yudhoyono in stemming what the United Nations says is the fastest deforestation rate in the world.

Mr. Yudhoyono has come under political pressure from international bodies such as the U.N. and World Bank to protect Indonesia's forests. One reason: Indonesia's forest destruction, often by fires to clear land for plantations, has made the nation the world's third-largest emitter of greenhouse gases behind the U.S. and China, according to a joint British government and World Bank study earlier this year.

Indonesia has long been one of the biggest suppliers of wood to global markets, with some environmental groups estimating an area the size of Belgium being harvested every year, most of it illicitly. Along with Brazil and the Democratic Republic of Congo, Indonesia is one of just a few countries with still-unexploited rainforests, but it has lost huge swaths of its reserves in the past 30 years.

A U.N. report in February found that all lowland forests on Indonesia's Borneo and Sumatra islands -- an important habitat for the endangered orangutan and other animals -- could be lost by 2022 at current logging rates of 2.8 million hectares a year.

The World Bank believes the illicit global trade in timber costs governments about \$15 billion a year in lost revenue and taxes. Indonesia's government estimates it loses about \$4 billion annually.

Realizing the costs, Jakarta in 2001 banned all export of raw logs. After coming to power in 2004, Mr. Yudhoyono tightened the export ban to include all rough-sawn timber. The next year, as part of the crackdown, 1,500 police raiders seized 400,000 cubic meters of timber in Papua, an amount equal to almost 3% of the annual global trade in tropical logs. They also arrested 186 suspected illegal loggers and smugglers.

In 2005, the president vowed to go after the financiers of illegal logging and their protectors in the local government, military and police. Today, only semiprocessed wood can be exported legally. But, with the crackdown faltering, Mr. Yudhoyono's standing with environmentalists is sinking. Many

groups are pushing Western consumers to boycott products made from Indonesian timber. They complain that Jakarta isn't doing enough to save remaining forests from both illegal logging and from the rapid legal clearing of land for agriculture and palm-oil plantations. Krystof Obidzinski, of the Indonesia-based Center for International Forestry Research, contends that more than 70% of logs going to Indonesia's timber-processing industry have been illegally felled.

Pressure on Papua's forests, in particular, is likely to increase in coming years, with projects on the drawing board to plant enormous plantations for palm oil, which is used to produce biodiesel. Seeking to exploit the rising global demand for alternative energy, China National Offshore Oil Corp. said in January it was ready to invest \$5.5 billion to develop plantations and biodiesel factories in Kalimantan and Papua.

Mr. Yudhoyono's attempts to get a grip on the situation face opposition from a powerful nexus of local government officials, police and military personnel who are involved in the illegal trade. The lack of effective legal sanctions is also hampering his efforts.

For example, Indonesia's courts -- judged among the most corrupt in the world by Berlin-based Transparency International -- have convicted only 13 people arrested in the 2005 Papua crackdown, all of them low-level operators. The suspected ringleaders -- including a police officer accused of involvement in the affair -- were acquitted.

The smuggling networks have since found new routes for getting tropical hardwoods out of the country. "After a dramatic reduction in timber smuggling from Indonesia in 2005, illicit timber is flowing out of the country again in increasing amounts," says Julian Newman, who works for the Environmental Investigation Agency, a nongovernmental organization based in the United Kingdom.

One method used by illegal exporters is to ship logs to neighboring Malaysia, where they are given false certificates of origin as Malaysian wood. They are then processed in Malaysian factories, environmentalists say. Another method is to take the logs to Surabaya, Indonesia's second-largest city, where they are roughly sawn up and hidden in containers for shipping to China and India.

Smugglers often falsely mark the exports as finished wood products, which can be legally exported under Indonesian law, says Atong Sukirman, an official with the customs enforcement unit at the Surabaya port. "Illegal exports are hard to detect," he says.

In December, customs officials impounded 10 containers of 61 merbau logs, a haul worth hundreds of thousands of dollars. A local company had been trying to smuggle the logs out to China in containers falsely marked as flooring, according to customs officials. Police are investigating the company and have arrested a senior Surabaya port customs official, who is suspected of involvement in the smuggling ring.

But campaigners say a few high-profile busts won't help unless Indonesian courts are willing to hand down heavy sentences to those involved in illegal logging.

At its end, China's failure to crack down on the trade, despite an agreement in 2002 to work with Indonesia to tackle the problem, is straining relations between the two nations. Trade Minister Mari Elka Pangestu wants China to turn back illegal logs and timber at its ports but hasn't threatened any sanctions.

Meanwhile, China's huge demand means merbau is likely to be wiped out within the next 30 years, environmental group Greenpeace warned in a report in April.