

**Testimony of  
Alexander von Bismarck, Campaigns Director  
of the  
Environmental Investigation Agency  
before the  
Committee on Ways & Means, Subcommittee on Trade  
U.S. House of Representatives  
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**SUMMARY AND RECOMMENDATIONS**

Mr. Chairman and Members of the Subcommittee, the Environmental Investigation Agency (EIA) is grateful for this opportunity to present recent findings relating to the US-Singapore Free Trade Agreement. EIA has investigated international trade and its environmental consequences for 19 years, and is globally recognized for its expertise in the problems of illegal logging and trade in illegal timber, wildlife, and ozone depleting substances. EIA has conducted a number of recent investigations that describe Singapore's role in these matters, and has recently published the report "Singapore's Illegal Timber Trade and The US-Singapore Free Trade Agreement."

**Timber Smuggling**

EIA fears that the US-Singapore FTA, as it stands, will trigger a significant increase in Singaporean controlled exports of illegally produced timber products into the US. The Office of the US Trade Representative, which led the US negotiations, points out that "international trade can play a role in stimulating, enabling or rewarding illegal activities in a number of Asia-Pacific countries where illegal logging (is) a significant cause of deforestation." [1]

Our information suggests that this concern is currently dramatically underestimated. While a FTA could offer excellent opportunities to cooperate and address problems of illegal trade, particularly amidst current concerns over port security, such opportunities have so far remained unexploited. The FTA will reduce tariffs, which for some wood products are significant, and defines the customs policies that are currently allowing Singaporean companies to export a variety of illegal shipments into the US in a dangerously efficient way.

Undercover investigations by EIA and Telapak, our Indonesian partner organization, in April 2003 confirmed Singapore to be a central hub for laundering illegal shipments of Ramin, a highly valuable and endangered tree species found only in Indonesia and Malaysia. Singaporean companies play the key role in paying bribes and falsifying paperwork to allow illegal shipments of wood to enter the world market, including the US. Further analysis of trade data reveals that over US\$ 3 million of Ramin was imported illegally into the US - without the required permits - from or through Singapore

between September 2001 and July 2002. Fifty-two percent of all Ramin shipments into the US during these ten months passed through or originated in Singapore.

### **Wildlife, Chemicals and Security Concerns**

Singapore has also maintained a well deserved reputation as a major center of illegal international trade in endangered wildlife, including poached elephant ivory, tiger bone, parrots and other species. An EIA report published last year documented the current resurgence in elephant ivory smuggling. In June 2002, a foreign tip-off led to the seizure of six tons of ivory in Singapore -- the largest seizure since the international ivory trade ban went into effect in 1989.

Singapore is also central to the regional Asian black market trade in chlorofluorocarbons (CFCs), with much of this material transiting through the city-state. EIA investigations reveal that Singapore shipped large amounts of CFCs to Nepal, itself a staging post for CFC smuggling into India. International trade in CFCs is strictly limited by the Montreal Protocol on Ozone Depleting Substances to which both the US and Singapore are signatories.

A variety of factors make Singapore a haven for smugglers and unscrupulous international trade. First, Singapore's loose and porous customs system offers unique opportunities to by-pass inspectors, manipulate cargo and paperwork. Secondly, Singapore systematically withholds trade data to shelter evidence that could quantify the scope of illegal activities occurring in and throughout its territory. Finally, Singapore's commitment to multilateral environmental agreements is superficial and its enforcement passive at best.

### **Remedies**

Singapore has been particularly hostile to recent US-led international efforts to take action against illegal logging. President Bush has recognized the global security threat posed by illegal logging and has committed \$50 million in new funding over the next five years. The State Department has played a key role in launching the most promising international framework to combat illegal logging, the Forest Law Enforcement and Governance initiative (FLEG). In September 2001, ten East Asian nations with the US and the UK issued the Bali Ministerial Declaration, a historic agreement in which producing and consuming nations agreed to take far reaching actions to suppress illegal logging. Singapore has been noticeably absent from all FLEG negotiations.

Concerns over Singapore's trade in illicit goods and the impact of this FTA must be addressed now. The US-S FTA has been heralded as a template for future agreements and thus must benefit from a thorough and sober analysis of its implications. Singapore's role as a hub for Asian trade is set to expand as free trade agreements between Singapore and other Asian nations, including China and Japan, are under negotiation. Japan and China are the second and third largest timber importers respectively.

The US-Singapore FTA offers an opportunity to enter into serious bilateral discussions with Singapore to tackle the problem of illegal trade of timber, wildlife, and dangerous chemicals. Implementing legislation should be considered as a means to support regional, bilateral and domestic enforcement initiatives.

Singapore's example as a gateway of illegal timber into the US must also focus our attention on desperately needed legislation to stop the import of illegally sourced timber. In April the 'Clean Diamond Trade Act' was passed to stop the conflict diamond trade. The trade in illegal and conflict timber is equally destructive to the global security and the environment and must be tackled next.

## **RECOMMENDATIONS**

- 1) The US should enter into a bilateral agreement with Singapore as an annex to the Free Trade Agreement to establish a licensing system for legally produced timber and to eliminate trade in illegally produced timber and timber products.
- 2) The US should establish an enforcement task force to work in close co-operation with a new parallel Singapore government enforcement body to share information, promote coordination and proactively target environmental crimes involving trade in illegal timber, wildlife products and ozone depleting chemicals linked with import, export and transshipment through Singaporean territory.
- 3) The US should facilitate the establishment of a regional enforcement body with Singapore and other important timber producing, consuming and processing countries in the Asia Pacific region to target trade in illegally produced timber and offer to provide technical and training assistance to the member states of the new body.
- 4) The US should use the provisions of the US-Singapore Free Trade Agreement to ensure that Singapore upgrades its Customs laws and regulations to close loopholes that allow easy movement of goods into Customs ports, warehouses and airports without proper scrutiny and to prohibit the repackaging and processing of goods in transshipment or under Customs control in Singapore. The US should ensure that citizens also have the ability to bring complaints to the dispute resolution mechanism.
- 5) The US should encourage Singapore to:
  - formally endorse the Bali Ministerial Declaration of the Forest Law Enforcement and Governance (FLEG) and an action plan to adhere to FLEG commitments.
  - adopt a policy of transparency concerning its trade in environmentally sensitive goods and ensure transparent access to key data concerning trade with Indonesia, timber trade, wildlife products and data concerning companies authorized to trade in ozone depleting chemicals.
- 6) The US should ban all trade in Ramin and encourage all other consuming countries to suspend trade in Ramin indefinitely. The US should actively prosecute the companies, especially the repeat offenders, that have been documented to be importing Ramin into the US without proper permits.
- 7) Finally, the United States must develop new legislation to stop the import, export, transshipment, purchase, or sale of illegally produced timber. Ongoing initiatives, such as those in the EU, offer templates. The US should commission a study on the implementation of such legislation in the US.

## **BACKGROUND AND EVIDENCE**

### **The US and the Global Illegal Logging Problem**

Illegal logging takes place when timber is harvested, transported, bought or sold in violation of national laws and is widespread in most of the major timber producing and exporting countries of the world. In some cases illegal logging represents more than half of production, and large quantities of illegally sourced wood find their way to the major markets of the US, Europe, Japan and China in the form of timber, furniture or other products.

Illegal logging has major economic implications. It is estimated that illegal logging on public lands worldwide causes annual losses in revenues and assets in excess of \$10 billion.[2] All too often money which should be going to fund schools, hospitals and clean drinking water in developing countries is instead finding its way into the pockets of illegal timber barons, corrupt enforcement personnel and politicians. The wood furniture, blinds, or flooring made from illegal tropical logs can then be sold in the US at a discount price, undercutting the US timber industry.

Overall, the US has demonstrated a major commitment to promoting international measures to counter illegal logging. Despite the variety of positive initiatives by the US administration to address illegal logging, no policies or programs have emerged that will close or even restrict its massive domestic market to imports of illegally produced timber.

The US has not concluded any bilateral or multiparty agreements with any of the major timber producers in Asia, while the UK and China have reached separate bilateral agreements with Indonesia to facilitate action programs against illegal logging and trade in illegally cut timber. Japan is also currently negotiating a similar agreement with Indonesia.

The US is the world's largest importer and consumer of timber and wood products.[3] In 2001, the US imported wood and wood products valued at around \$25 billion a year.

### **Case Study: Ramin**

Many tropical forests in East Asia are under threat from human induced causes, but certain high value species are specifically targeted for the international timber trade. One such species is Ramin (*Gonystylus* spp.), imported to the US for picture and futon frames, moldings, pool cues and other products.

In 2001, the Indonesian government identified Ramin as being so threatened by the illegal practices of powerful timber barons that it turned to the international community for help and banned all export of the species through the Convention on International Trade in Endangered Species (CITES) effective on August 6th, 2001. Selective illegal logging of high value export species like Ramin is often the first step leading to forest

clearance, as the tracks and roads built to access and remove the timber become entryways for further illegal cutting, hunting and burning.

Other than for a small amount of wood originating with a company in Sumatra which has been certified as sustainable, no Ramin has been granted an export permit by the Indonesian government since December 31, 2001. Ramin is also found in lesser amounts in Malaysia, but all shipments of Ramin entering the US now require CITES permits and Certificates of Origin.

In January, 2002, more than five months after Indonesia banned the export of Ramin, Singapore added Ramin to Schedule II of its Endangered Species (Import and Export) Act, which implements CITES commitments in Singapore. The extent of continued smuggling in the species shows that Singapore has failed to enforce its own environmental legislation, as required by the US-Singapore Free Trade Agreement, allowing Singaporean companies to reap significant profits in the process.

### **Singapore's \$3 million of Illegal Ramin Exports to the US**

EIA compared data on US Ramin imports obtained from the US Department of Commerce commercial "Port Import Export Reporting Service "(PIERS) and CITES permits for Ramin obtained under the US Freedom of Information Act on US for a ten month period between September 2001 and July, 2002.[4]

The data revealed that the US imported at least 324 shipments containing products made of Ramin between September 2001-July 2002 with a total declared value of approximately \$11,388,746.[5] This can be expected to be a fraction of total Ramin imports to the US since it only includes shipments labeled as 'Ramin', while many are labeled only by their product name.

167 of these 324 shipments, (51.5 percent of the total) either originated in Singapore, or used Singapore as a transshipment point. Of the 167 Singaporean shipments, 80 percent (or 134 shipments) valued at just over \$3 million did not have any CITES permits or documentation.

PIERS data records over 600 cubic meters of Ramin products arriving in US ports that originated in Singapore between August 2001 to June 2002.[6] US Customs, however, did not have a single Singaporean CITES permit on file for Ramin imports occurring between September 2001 and July 2002.[7] PIERS data further recorded 30 Ramin shipments from Indonesia worth US\$ 700,000, that entered the US after passing through Singapore—all without CITES permits.

### **The Role of Singaporean Timber Companies in Illegal Trade**

EIA and Telapak have undertaken numerous investigations in Singapore, Malaysia and Indonesia over the past five years and have gathered extensive information which demonstrates the central role Singapore plays in the illegal timber trade throughout

Southeast Asia and globally. The most recent investigation in April 2003 detailed some of the particular smuggling mechanisms.

Timber processors, traders and agents located in Singapore act as the key enablers of the region's illegal timber trade. More than 150 companies are registered on the Singapore Yellow pages as timber importers and/or exporters. The majority are based in Kranji and the industrial estate of Sungei Kadut in the north of the island.

In April 2003, EIA undercover investigators conducted telephone surveys and visited import/export companies in the Sungei Kadut area. During a visit to one such company, two managers explained their smuggling methods on hidden camera. They called themselves 'mafia' and 'smugglers' and one proclaimed that 'drug smuggling (is) no good, but timber (is) okay'. He was counting upwards of US \$10,000 in cash at the time. They explained the following smuggling strategies:

- 'Illegal payments' (in their words) are made to obtain permits that are accepted by Singaporean Customs.
- Permits for 100 tons are used to smuggle in up to 500 tons of Ramin per shipment into Singapore.
- The Ramin is moved out of Free Trade Zones and kept in storage in containers.
- He exports three to five containers per month to China under a false species name, where it is processed and about one third shipped to the United States.

### **Singapore's Porous Free Trade Zones**

EIA and Telapak have identified the most common entry points of smuggled Ramin to be small landing sites within Singapore's Free Trade Zones (FTZs). Traditional vessels, mostly from Indonesia, dock at certain locations amidst supertankers and industrial cargo ships, and unload their cargo onto trucks using mobile cranes. It is then driven out of the Free Trade Zone to mills or agents who then arrange to ship it to the world market.[8]

The intent of the five FTZs in Singapore is to allow for trade with a minimum of regulation. The rationale is that they are secure and distinct from Singapore proper and therefore can be excused from national regulations without negative consequences. Evidence, however, suggests otherwise.

In October 2002, a tip-off alerted Singaporean CITES Management Authority that a large shipment of Ramin had been collected in a warehouse on the same street as the company described above. Authorities found 120 tons of Ramin without CITES permits, the result of six separate shipments, each having avoided Customs on different occasions. The known entry point of these shipments is in Jurong Port, one of Singapore's 5 Free Trade Zones. Somehow the six illegal shipments, each of approximately 20 tons, avoided Customs in this area and reached the heart of the sawmill district in the North of the Island. This seizure is the only Ramin seizure made to date by Singaporean authorities.

EIA and Telapak visited this site in April 2003 and immediately encountered a shipment of approximately 20 tons of sawn ramin timber being unloaded from a wooden ship flying an Indonesian flag and manned by Indonesian sailors. When Singaporean CITES officials present asked for a permit, the captain produced a document that purported to show the timber was from Malaysia, and the shipment was allowed to continue. The Indonesian flag and crew and the low quality of wood, however, are strong indicators that this was also an illegal shipment from Indonesia.

The US requires CITES listed species or products in transshipment to be accompanied by CITES permits. In contrast, Singapore Customs policy does not require any Customs permit for goods which are “discharged along wharves directly into a Free Trade Zones (sic).”[9] Recent EIA investigations have shown such FTZs to be porous at best. Lax transshipment regulations and insecure FTZs allow protected species like Ramin, African elephant ivory, tiger bone, and endangered parrots to be shipped through Singapore without regulation, control or enforcement by the Singaporean authorities and questions

### **Batam and Bintan**

The Integrated Sourcing Initiative (ISI) of the US-Singapore Free Trade Agreement allows another country to benefit from what should be a bilateral agreement. In the case of the US-S FTA, some 100 items of information technology products produced on the Indonesian islands of Batam and Bintan will be allowed to benefit from the provisions of the FTA. Products produced on these Indonesian islands will be considered as originating in Singapore.

Other countries have already seen the potential advantages that the FTA confers upon products produced on Bintan and Batam. Chairman of the Batam Industrial Development Authority (BIDA), Ismeth Abdullah, has stated that following the US-S FTA signing on May 6th, companies from other countries like South Korea, Japan, and Taiwan had also expressed interest in investing in Batam and Bintan.[10]

Currently the FTA leaves open the possibility of other products and countries being included under ISI provisions. This comes at a time when customs enforcement capacity is overwhelmed by smugglers obfuscating the origin of their products, and ships have been seized leaving Batam with large shipments of illegal wood (see timeline below).

### **Transparency**

Singapore distinguishes itself regionally by refusing to release data that may point to the questionable trading practices of Singaporean companies. Singapore recently drew the ire of Indonesia when it refused to fully release trade statistics between the two nations. Although Indonesia is estimated to be the sixth largest trading partner with Singapore, it is omitted from the list of 149 trade partners in the Singapore Trade Statistics. The trade data that had previously been released point to a great discrepancy between Indonesian and Singaporean records. Singaporean statistics estimated non-oil imports from Indonesia to be \$7.41 billion, while Indonesian numbers put the value at \$4.6 billion.[11]

Analysts in the Indonesian press have said that the Singaporean government is purposely keeping the real trade data a secret to protect “certain vested interest groups” that have continued contraband trade with the country, including Indonesian military figures.[12]

### **“Conflict Timber”**

The province of Aceh, Indonesia has been beset by violent and bloody conflict for the last twenty some years. An Aceh independence/separatist movement led by the Free Aceh Movement (GAM) has tangled with the Indonesian military (TNI) in increasingly bloody battles, the most recent during the military state imposed by President Megawati a little over a month ago. Both GAM and TNI have, in the past, funded their efforts against each other through illegal logging, drug running and prostitution.[13]

Past EIA investigations have documented the damage caused by illegal logging in the Leuser ecosystem and National Park, in Aceh and parts of Northern Sumatra. Indications are that trade of illegal timber may be continuing despite the current battles raging in Aceh, as the Jakarta post reported that ships going to and from Singapore and Malaysia (just over the Straits) are allowed to continue their lucrative trade with Aceh.[14] Ships carrying illegal logs from the Leuser ecosystem have already been intercepted several times after leaving Acehnese ports (see timeline below).

Currently, Singapore offers excellent conditions for ‘cleansing’ such timber of its origins and shipping it to the US. A free trade agreement without provisions to address illegal and conflict timber will make these conditions even more enticing.

### **Recent Examples of Singaporean Involvement in Illegal Timber Trade**

The following are some recent examples of Singapore’s role in the international smuggling of illegally cut timber. This is only a partial list of available information in the public domain from a vast array of published sources.

- April, 2003: Singaporean company offers EIA and Telapak undercover investigators smuggled Ramin from Indonesia and explains how illegally obtained permits for small amounts of the wood are used as cover to smuggle in as much as five times the amount. The wood is then shipped to China under false names, where it is processed and a portion is shipped to the US.[15]
- February, 2003: Singapore flagged and owned vessel Qing Ann was detained off Aceh carrying 4,500m<sup>3</sup> of illegal logs.[16]
- Early 2003: Singapore flagged and owned vessel, Asean Premier, detained near Sorong, West Papua, with illegal merbau logs. Still under detention. [17]
- December 2002: Indonesian navy seizes 44 containers of illegal wood from a barge in the waters off Belakang Padang in Batam island, Riau province – twenty kilometers across the water from Singapore.[18]
- December 2002: Indonesian armed forces seize three ships in waters off Karimun island in Riau carrying 225 tons of illegal processed wood including Kempas. The

ships, the KM Sinar Belaras, KM Fendi Indah, and KM Kayu Lestari II, had come from the Sumatran mainland and were carrying the wood to Singapore. A fourth ship evaded capture and escaped to Singapore.[19]

- October 2002: Indonesian Navy seizes tugboats carrying 85 containers of illegal processed bengkirai timber in Riau. The wood was estimated to be worth more than US \$9 million. The ships were on their way to Singapore.[20]
- October 2002: Singaporean authorities seize 120 tons of Ramin from a Singaporean timber importer which had been imported without CITES permits.[21]
- October 2002: Two Singaporean timber companies openly admit to smuggling Ramin from Indonesia to Singapore and re-exporting it to the US and Europe without CITES permits.[22]
- June, 2002: Customs agents in Batam, an Indonesian island to be included in the FTA under the ISI, seize two more ships carrying illegal sawn Ramin and destined for Singapore. The two ships were carrying a total of 105m<sup>3</sup> of sawn Ramin.[23]
- June 2002: 75 tons of Ramin and 130 tons of other wood is seized by the Indonesian navy from three ships in waters off Batam island, near Singapore.[24]
- January, 2002: The Singapore owned vessel Ever Wise escaped detention off Sorong, Indonesia and was subsequently arrested in China. Fake documents were found for illegal shipment of Ramin.[25]
- January, 2002: The Singapore owned vessel Sukaria was detained off Sorong carrying a shipment of merbau. It was subsequently released without explanation.[26]
- December 2001: A Kompas news article quotes Djoko (Chairman of East Kalimantan MPI – a timber industry association) saying that "the wood industry in Jakarta is importing Ramin from Singapore which has no Ramin forest". He states illegal Indonesian Ramin is being smuggled to Singapore, legalized and shipped back to wood product factories in Indonesia.[27]
- November 2001: Singapore flagged and owned vessel Mandarin Sea was detained off Central Kalimantan, carrying 12,000m<sup>3</sup> of illegal logs. Linked to Tanja Lingga, implicated in illegal logging in Tanjung Puting National Park.[28]
- March 2001: 100 tons of processed illegal Ramin intended for Singapore was seized by Riau police aboard two boats. Two boat captains were arrested. One of the captains states 45 boats go back and forth to Singapore each day carrying processed timber, which would suggest traffic of 100,000 cubic meters a month.[29]
- August 2000: A cargo ship was stopped by Indonesian authorities off the coast of Riau province in Indonesia, on its way to Singapore, with illegally sourced Meranti.[30]
- August 2000: An NGO investigation discovered barges being loaded with illegal Ramin in Kuala Gaung in Riau province, where there were no legal concessions. The barges bear the logo of a Singaporean company.[31]
- May 2000: Indonesian port officials forced by local activists to order a cargo ship bound for Singapore back to Pontianak, Indonesia. Only seven out of the 42 containers of timber onboard had proper documentation.[32]

- [2] Ibid.
- [3] FAO, State of the World's Forests, 2001
- [4] PIERS imports data and FOIAed CITES permits from USMA.
- [5] Ibid.
- [6] Ibid.
- [7] Ibid.
- [8] EIA and Telapak Internal Reports. 2002, 2003.
- [9] Customs PM 001.74.08. Circular No. 4/98. Issued February 28, 1998. Available online at: [www.gov.sg/customs](http://www.gov.sg/customs). (See also: "Singapore Customs Policy Overview" available online at: [www.gov.sg/customs](http://www.gov.sg/customs).)
- [10] "US-Singapore Trade Pact Good News for Indonesia." The Jakarta Post. May 12, 2003.
- [11] "Discrepancies in RI-Singapore Trade Figures Seen as a Result of Smuggling." The Jakarta Post. June 12, 2003.
- [12] Ibid.
- [13] "Black Economy Threatens Aceh Peace." The Jakarta Post. March 25, 2003.
- [14] "Sea Traffic Unaffected by Closure of Aceh Waters." The Jakarta Post. June 5, 2003.
- [15] EIA and Telapak Internal Reports. 2002, 2003.
- [16] Ministry of Forestry official, pers.comm., 2003.
- [17] Ministry of Forestry, 2003.
- [18] Antara, 14th Dec 2002
- [19] Riau Post, 31st Dec 2002
- [20] Jakarta Post, October 2002
- [21] Pers.Comm--AVA CITES Management Authority, Singapore, April, 2003
- [22] EIA internal investigation
- [23] Ibid.
- [24] Ibid.
- [25] Indonesian Ministry of Forestry, 2002.
- [26] Indonesian Ministry of Forestry, 2002.
- [27] Kompas, December 2001.
- [28] "Above the Law." EIA Report 2002.
- [29] Gamma, May 1, 2002; Riau Pos 31st Dec 2002
- [30] Jakarta Post, August 19, 2000
- [31] Pers. comm. Hakiki, February 2001; KEA website
- [32] Jakarta Post, May 23, 2000