

ANNEX 2

Summary of Participants' Activities

JATAN

JATAN is based in Japan and works on various timber issues, including the export of illegal plywood and timber from Indonesia to Japanese companies. On plywood, JATAN is asking Japanese plywood companies about the legality of their supplies. JATAN just released a report on the connection between Japan's plywood market and illegal logging in Indonesia. The report highlights the need to check the legality and sustainability of Japanese sources of plywood. JATAN is also urging Japanese companies to adopt sustainable wood procurement policies. JATAN meets with these companies and implores them to check the legality and sustainability of their wood products by using a questionnaire. JATAN made a joint NGO statement with 5 other organizations in Japan on the need to develop a system to verify the legality of wood entering the Japanese market.

JATAN also has had discussions with the Japanese government about government procurement and creating a legality verification system. The organization is pushing Japan to adopt a foreign trade licensing scheme similar to the EU's FLEGT and also to create a government procurement policy for wood. The procurement policy is especially facing resistance because the current methodology to verify legality is not sufficiently developed. Japan is involved in the Asia Forestry Partnership (AFP) and the International Tropical Timber Organization (ITTO) but JATAN hopes that they will become more active in FLEG.

I. Conservation International, Papua Program

Conservation International (CI) focuses on forest conservation and fighting illegal logging and wildlife trade. There have been almost 50 cases in illegal logging in Papua. The organization works closely with the government in Papua and with local NGOs. In addition to collecting information on the state of Papua's forests, CI hopes to urge the government of Papua to combat illegal logging. To this end, CI trains enforcement agents in Papua, draws attention to the need for trained forest investigators in Papua and tries to facilitate cooperation between agencies in charge of monitoring the forests.

The special autonomy Papua has in Indonesia is complicated, so CI works with both the local government and the central Indonesian government in Jakarta. It is hard for both governments to take immediate action to address illegal logging and CI would like donor countries to help Papua combat illegal logging.

Other participants have heard about Papua and illegal log trade. One participant heard from Indonesia that China already has 3 years of logs in stock from Papua. Participants were interested in the scale of this illegal trade and what companies were involved. It was agreed that those interested could further discuss the issue after the AG meeting.

II. Forest Watch Indonesia

Forest Watch Indonesia monitors the condition of Indonesia's forests. The rate of deforestation is 2 million hectares in 2 years in Indonesia. The rate of supply and demand of logs in Indonesia is very high, with a discrepancy of 51 cubic meters a year. This discrepancy is a result of illegal logging – only 16% of Indonesia's forests are privately owned. The lack of synergy between the central and local governments also spurs illegal logging in Indonesia. Concession permits given out in local areas, for example, are breaking federal law.

III. Greenpeace Australia-Pacific / Greenpeace International

Greenpeace is focusing on FLEGT/ procurement work and market work in EU, Japan, UK, and Australasia. Greenpeace Asia-Pacific is about to start a market campaign focusing on Papua New Guinea (PNG) and Indonesian exports.

Greenpeace has had a campaign in PNG for the past 10 years and is now focusing on internationalizing the work. They want to incorporate PNG into the FLEG process because the government of PNG does not even acknowledge its illegal logging problem. Greenpeace states that no logging operation in PNG is in compliance with laws and regulations. There has been a lack of prior informed consent of landowners as required by the law. Local people own 97% of land, but there continues to be human rights abuses, broad corruption in the government and the destruction of traditional sacred areas. Despite overwhelming evidence, the government still has yet to make companies fall into compliance. Greenpeace has worked with landowners and tried to block roads and ships to stop logs from leaving PNG. Several legal cases by landowners and NGOs are ongoing. Despite these efforts, exports of log/sawn timber to China have increased 500% since 1998. PNG currently has no MoUs with any other government. Greenpeace hopes to include PNG in future international processes and is open to suggestions on how to incorporate PNG into the FLEG process.

Global Witness

Global Witness (GW) does direct field investigations in Cambodia and monitors government agencies in the country. Cambodia still technically has a log transportation ban, but exports continue to Vietnam and China. Illegal logging is again increasing, however, because the government's vigilance is decreasing. Illegal loggers target high value species such as blackwood and rosewood.

An independent forest sector review in Cambodia was just completed. The new threat appears to be from industrial plantations, now that illegal logging is less of a problem. Plantations have help from corrupt officials in the forestry department, and the Ministry of Environment is now secretly selling parks as plantation concessions. All these deals are done secretly and when they become public, the government denies any knowledge of them.

Cambodia needs more NGOs on the ground to do enforcement. This is the only real enforcement that works. Global Witness used to do monitoring work for the government, but stopped because of corruption difficulties. An independent monitoring group called SGS has taken over and is not doing a commendable job. It is important to have diligent oversight of logging because otherwise the illegal timber is simply whitewashed. SGS also operates in PNG and Indonesia.

IV. Haribon Foundation

The Haribon Foundation is based in the Philippines and works on forest management activities. It is currently working on a project in the Philippines that is integrating forest conservation into the policies of local governments. The program helps with land use and forestry management and training. There will be a national conference next month, which will be culmination of this project. Locals from all over country will attend and see that forest management on local level can be done.

A campaign called Rainforest Asia is about to be implemented as well. This campaign will focus on forest rehabilitation and urge the replanting of indigenous tree species on plantations. There is also a sustainable forest management bill in the Congress that seeks to overhaul current forest legislation. This is the fourth time it has been proposed, but it will hopefully go through this time.

V. Forest Trends

Forest Trends has recently released a comprehensive report on China and forest trade in the Asia-Pacific region. This report is the result of 2-3 years of work. Forest Trends developed relationships with researchers and others in China in order to get a very detailed analysis of China's imports of timber. The data are broken down by type of timber import as well as by port of entry. There are also

case studies on different countries such as Russia, Myanmar and PNG that export timber to China. The report is not focused on illegal logging, but one can estimate the extent of illegal imports through extrapolation. The report also shows where new pulp and paper mills are going to be developed and identifies some European companies that are involved. Many of these EU companies are possibly engaged in double standards; they are more careful about sourcing in Russia, but not in China. The next step is to take this information to the policy level.

Forest Trends is also working on some banks' lending policies. For example, 28 major lending banks signed on to the World Bank equator principles, which establish a framework for financial institutions to manage environmental and social issues in project financing. Some of these banks are having difficulty deciding how to implement these safeguard policies. Forest Trends is working with several of the equator banks that are working on specific illegal logging policies. They are struggling with how to identify an illegal operation- is bad press enough, or need to take legal action to change companies' policies? Forest Trends wants the banks to support good forest operations, such as FSC certified projects. Also, project-level loans are most likely happening at regional banks, and these banks are not signed on to the equator principles. The local banks, however, might also be easier to target because they are giving money to specific projects.

Forest Trends has also been working with the Civil Society Advisory Group (CSAG) of the ITTO. There was a joint CSAG and Trade Advisory Group (TAG) meeting in July that came up with joint recommendations for the ITTO on illegal logging. Both sides want a plan of action. Based on these recommendations, ITTO is now sponsoring two work programs on forestry communities and illegal logging. One will be on timber transport.

VI. The Environmental Investigation Agency

The Environmental Investigation Agency (EIA) focuses on the regional timber trade, particularly on ramin wood and CITES enforcement. EIA uses the ramin trade as a case study to call attention to the larger issue. CITES can be a useful tool for regulating timber trade as it is an internationally enforced agreement. For this reason, it is important to try to get countries to unilaterally list more timber species on Appendix III of CITES. There was an attempt to have Indonesia list merbau on Appendix III, but the political climate in Indonesia made that not possible. Indonesia, however, will probably list ebony on Appendix III in the near future. EIA has also worked on getting all countries to properly implement Appendix III listings on CITES. Taiwan, for example, is now implementing all Appendix III listings after being exposed as receiving smuggled Indonesian ramin via Malaysia.

Countries passing complementary laws can also inhibit the illegal timber trade. Malaysia, for example, passed a complementary national law banning imports of Indonesian logs and fitches after Indonesia passed an export ban on all its logs and fitches. In this same vein, the FLEGT process is moving forward. It is important to keep a close watch on the EC's negotiation mandate, which will give the EC power to negotiate bilateral agreements and determine what is acceptable for verification systems.

Countries' political commitment to FLEG has also aided cooperation on tip-offs of illegal shipments. EIA had a tip-off in August 2003 on a shipment of bengkirai fitches illegally logged in a national park in Indonesia that was headed to Vietnam. Although there were some difficulties in coordination and communication, Vietnam showed interest in this shipment because of its commitments to FLEG.

Free trade zones (FTZ) are also a major problem with illegal timber trade. The EIA/Telapak report "**Profiting from Plunder**" outlines how illegal Indonesian ramin is transshipped through the Malaysian free trade zone at Pasir Gudang. When confronted with this information, Malaysia claimed that it could not go into the FTZ and seize the wood. The Malaysian Timber Industry Board (MTIB), however, did enter Pasir Gudang and seized over 16,000 cubic meters of illegal Indonesian ramin. But the MTIB subsequently released these shipments and allowed them to be shipped to Hong Kong and Taiwan. Malaysia did not notify the receiving ports of the illegal shipments until after the ramin had already passed Customs. This instance highlights how free trade zones can facilitate illegal timber trade and is a topic that must be addressed when developing measures to improve forest law enforcement.

VII. Telapak

In addition to its investigative and campaign work, Telapak with EIA, helps build the capacity of local Indonesian NGOs. Telapak has worked with 36 local NGOs and has helped them carry out investigations all over Indonesia, including Sumatra, Papua and Sulawesi. The NGOs have also received video training, which has been very successful because the groups are able to show the public and local governments in Indonesia their findings.

Telapak is also focusing on money laundering practices because Indonesia just passed a new law on money laundering that identifies illegal logging as one of the root causes of money laundering in Indonesia.

The most critical area for illegal logging in Indonesia is mostly in Papua, although it still happens in other areas. Every week Telapak gets messages from contacts saying that ships are still unloading logs - 17,000 cubic meters a week to Viet Nam, China and India. The shippers get their papers from PNG and the Philippines.

The Indonesian navy in Papua is now becoming involved in logging and shipping timber to China. At least two large timber barons are involved in this area as well. This makes the illegal logging problem far more difficult now in Indonesia. Some ships were seized by the navy but were subsequently released. The timber barons are getting permits for large swaths of land, while local people do not receive any benefits.

VIII. The Nature Conservancy

In Southeast Asia, the Nature Conservancy (TNC) is working on customs cooperation, the Asia Forestry Partnership (AFP), legality definition and wood tracking. Meetings of the AFP have analyzed the laws in key importing countries and identified minimal changes needed to enable prevention of the import of illegal timber. There is a strong legal basis for these countries to take action if a closer look is taken at smuggling, bribery and corruption laws.

Less than 1% of illegal wood from Indonesia has been stopped in the last year. Most wood leaves from timber mills in the form of processed timber. There are problems in trying to lessen illegal trade: there is no agreed definition as to what is legal/illegal, border controls are not adequate, there are no protocols for information exchange about suspect shipments and there is a low awareness among enforcement officials. These problems must be addressed to stop illegal timber trade.

TNC has been working on a definition of legal timber and has identified core principles of legality. These principles can be used to analyze existing laws and then develop criteria to enable field auditing. TNC is doing field-testing with 2 companies, which should be completed by the end of this year. The test system is using bar codes to track each individual log.

Some next steps include prioritizing key bilateral agreements, having more discussions about the FLEG process with governments and convening some key customs agency representatives to share lessons and issues.

A participant asked about the transparency problem in Indonesia particularly with the Forestry Industry Revitalization Agency (BRIK). Currently all Indonesian companies endorsed by BRIK are supposed to use legally cut timber. BRIK, however, seems to be becoming even less accessible and transparent. It was agreed that BRIK alone is not sufficient to guarantee legality; there must be independent third party identification. Questions were asked about the legality of the mills in TNC's pilot program. Illegal timber is still going through these mills, which would make the mill consequently illegal as well. One participant also brought up the point that a company could also open a subsidiary that deals with FSC timber.

IX. UK Timber Trade Federation

The government in the UK is a big player in the timber market because it consumes 20-40% of UK imports. After the Greenpeace report “**Partners in Crime**”, some UK companies stopped sourcing from Indonesia and funded a legality scoping study. 60 mills were in the study and none of them complied with current regulation in Indonesia. Some mills, however, were better than others, and five of them are setting up an action plan to create legal verification systems. The UK Timber Trade Federation (TTF) has also developed a responsible purchasing policy, which might be made compulsory for TTF members.

A common auditing framework would be useful for addressing legality problems, but it would depend on the definition of legality. Perhaps the best short-term solution would be to make stepwise improvements. TTF believes that a business-to-business approach is crucial for tackling illegal logging, especially since many countries do not have the resources to enforce legislations. TTF wants to have other trade associations involved in the FLEG process. Japan in particular should be involved.

TTF also agrees that BRIK in Indonesia is not providing the assurances that it should be, though it should be part of legality verification for political reasons if nothing else.

Other participants asked why mills have problems outlining their chain of custody. A participant suggested that mills that do not have a large stake in the UK market will simply not comply with the UK demands and shift their product to other less stringent markets.

X. Venturer Singapore

Kevin Hill has worked in the Southeast Asia region for 15 years and is the owner of timber building company whose projects include national parks, zoo, condos and resort construction. He is also a representative for East Malaysian resort manufacturers in Kotakinabalu. He offered insight into how the timber market works. Venturer works with FSC material and has initiated a program to encourage trade to change procurement policies to buy legal wood. The program is by industry for industry and uses market driven mechanisms to encourage trade in legal material.

Venturer believes a first step is to make FSC the gold standard for companies. Once this is established, there is the potential to move up the ladder to more comprehensive systems. Venturer has recently conducted seminars in Singapore for the government and private sector that emphasized buying responsibly sourced timber. Singapore now has a government specification to ensure that only legally sourced timber is used domestically. In order to confirm

the timbers' legality, the source of the wood must be independently verified by a licensing industry and have a clear chain of custody from stump to ship. There is also a penalty system, where any timber found from an illegal source must be brought off the site. The government charges the mill 1% of the value of the timber per day until the timber has left the mill's property. Venturer's long-term goal is to create a market mechanism where there is a premium to sell legal wood to the customer. It is important to keep the cost less than 5% so as not to inhibit a business transaction.

Another issue is to look at tariffs when thinking about what influences the timber trade. China, for example, has a 35% levy on finished timber and only a 13% tariff on logs and flitches.

YASCITA

Yascita is based in Southeast Sulawesi in Indonesia. Illegal logging is occurring there as well and the local government does not enforce and protect the rights of indigenous people. Because of these conditions, Yascita monitors and investigates forest management in the area, including national parks. Primary findings show that loggers are cutting outside of their concessions and reaching into central Sulawesi. The results of these investigations are analyzed and produced into news releases that are broadcast on TV and radio. Yascita also works with other local NGOs and Telapak to form an advocacy network for the forests in Southeast Sulawesi. They intend to sue the local government because of its lack of enforcement.

YLL

YLL monitors and collects information and data on illegal logging in Indonesia. In their area, the names of illegal loggers are known but the government does nothing to stop them. In one area that has been extensively logged, there was serious flooding that killed many people. YLL is now trying to get the community to sue the government over the floods because the government did nothing to stop the illegal logging.

ARUPA

ARUPA works in Java, Indonesia, where 20% of the forest coverage has already been lost. Java does not have a well-managed forest management system, and cultural, social and economic factors are not taken into account when developing forest management plans. The management tends to neglect the rights of local people to use the forest; most local people just have a subsistence living, while the forests are being illegally logged. ARUPA has a program to develop a community-based forest management program. In 1997, the industry used public roads to log about 3 million trees. There are many checking posts on the roads, but illegal logs still flow out because of a large network of corruption.

There is also weak enforcement, with too few enforcement officers to guard the forest.

ARUPA is working with the local people so that they have a stake in the forests around them. If communities become more involved in managing the forests, it may help curb illegal logging. ARUPA is also producing a video on the issue with help from Telapak.

WildAid

WildAid has offices in 7 countries including China, which will face more pressure because it is hosting the 2008 Olympics. WildAid does enforcement training, police training, ranger training and protected area management training. WildAid also has a mobile unit in Cambodia on wildlife law enforcement in 7 protected areas. In Cambodia, there has been anarchy over the last year because there is no clear government control. Most of the wood is going to Viet Nam and Thailand, where it is produced into low quality furniture.

WildAid aims to reduce consumer demand through commercials dealing with endangered species. It has also been commissioned to do a threatened needs assessment in Guang Luser National Park in Indonesia.