

Indonesia Civil Society (ICS) Groups

Briefing Paper on Timber Industry and FLEGT Initiative

ICS Delegates

Zul Fahmi (JIKALAHARI), Christian Pantas Purba (FWI),
Mardi Minangsari (Telapak), Rina Agustine (TELAPAK)

Indonesian Civil Society Briefing Note

Background

- Indonesia's timber industry started to grow intensively in early 1980s. The decade saw the expansion of sawmills, plymills and other advanced processing industry. Late 1980s saw the rapid expansion of pulpmills and papermills. However, the growth of timber industry – without taking into consideration the supply capacity – led to enormous deficit in supply.
- There is an enormous gap in supply and demand that puts a threat to Indonesia's forests. The Decree of the Minister of Forestry No.19/Kpts-VI/2003 on the implementation of soft landing policy decreased the annual allowable cut for timber from natural forest to only 6.8 million m³ per year. The total production of logs from timber plantation is approximately 10million m³/year. This means that Indonesia's legal timber production stands around 17 million m³. On the other hand, the total demand of round wood by timber industry amounts to approximately 63.48 million m³ (*Ditjen BPK, Dephut, 2004*).
- Pulp and paper is the most voracious forest-related industry. The two biggest pulp and paper industry are located in Riau, Indonesia, namely PT RAPP (APRIL) and PT IKPP (APP). While having the capacity of producing 3.9 million tons of pulp and needing around 17.5 million m³ of raw material, their timber plantation can only supply 3.5 million m³ of timber. The discrepancy of 14 million m³ of timber is then fulfilled by using timber from natural forests, 4 million m³ of which is not legally sourced (*Dinas Kehutanan Propinsi Riau, 2005*).
- Indonesia's plywood is mostly exported to China and Europe. According to BPS, during 1997-2003 Indonesia averagely exported 82,900 tons of plywood to Europe, making it the most timber product received by the European market.
- Like plywood, pulp and paper are mostly exported to Asia and Europe. According to BPS, Indonesia exported around 366,600 tons of pulp and paper to Europe. The average export to Europe during the last 7 years has amounted to approximately 259,200 tons.

Problems associated with forest-related industry in Indonesia

- One of the main causes of rampant illegal logging in Indonesia is the over-capacity of timber industry. While the legal production of timber is around 17 million m³, Indonesia's wood processing industry has a combined installed capacity of approximately 74 million m³. Even if the industry does not run at full capacity, it still consumes approximately 53 million m³ of round wood per year, 36 million m³ of which comes from illegal sources (WWF/World Bank, 2005). This figure does not include the needs of predominantly illegal small-scale sawmills in Indonesia.

- European investors and financing agencies are not aware of problems on the ground, such as social problems (conflicts with local peoples, etc) and sustainability of raw material of forest industry. Therefore, there is no strict measure taken against the companies/creditors as such.
- Regarding the financial problem, many companies fail to pay their debts. BPPN data shows that the debts of these companies amounted 2.2 billion dollars. Many companies also cannot guarantee the sustainability of their raw material and some even do not have a fixed source of timber, either from timber plantation or import. This emphasizes the fact that the supply of timber still relies on natural forests. More over, the establishments of forest industry often cause conflicts with local communities and environmental problems. (IWGFF press release, 2004).
- The demand of tropical timber remains very high. Indonesia's domestic market is estimated to consume approximately 17 million m³/year of illegal round-wood. The international market is thought to be consuming the equivalent of approximately 33 m³/year of illegal harvested round wood. Particularly in Europe, 5 biggest market that import Indonesian timber products are: UK, The Netherlands, Belgium, Germany and Italy. This has contributed to continuous destructive and illegal logging in Indonesia.

Recommendation/Demands of Indonesian Civil Society

Although export of Indonesia's plywood and pulp and paper only constitute a little more than 12% of its total export, the EU are playing an important role in reducing the trade of illegally sourced timber.

Therefore we are calling for the EU government to:

1. Include pulp and paper in the list of products covered in the licensing scheme under FLEGT action plan.
2. Issue and implement a legislation that prohibits the import of illegally sourced timber and wood products. Heavy penalties should be imposed on member states that still receive illegally source timber and wood products and continue to make profits out of it.
3. Require the implementations of due diligence related to social, sustainability of raw material and environmental considerations before any further investment is agreed in Indonesia, particularly in the plywood and pulp-paper industries.
4. Reduce the consumption of tropical timber, as high demand of tropical timbers has driven rampant logging in producing country such as Indonesia.