

Timber Smuggling in Indonesia

Critical or Overstated Problem?

Forest Governance Lessons from Kalimantan

Krystof Obidzinski | Agus Andrianto | Chandra Wijaya



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List of abbreviations

ABK	Agrosilva Beta Kartika
APHI	<i>Asosiasi Pengusaha Hutan Indonesia</i> (Indonesian Forest Concessionaires Association)
APKINDO	<i>Asosiasi Panel Kayu Indonesia</i> (Indonesian Wood Panel Association)
BATS	Tawau Barter Trade Association
BRIK	<i>Badan Revitalisasi Industri Kehutanan</i> (Body for Revitalization of Forest Industries)
BTZ	Barter Trade Zone
CIFOR	Center for International Forestry Research
EIA	Environmental Investigation Agency
ETPIK	<i>Eksportir Terdaftar Produk Industri Kehutanan</i> (Registering Body for the Exporters of Timber Products)
FLE	Forest Law Enforcement
FMU	Forest Management Unit, Malaysia
FTZ	Free Trade Zone
HP	<i>Hutan Produksi</i> (Production Forest)
HPH	<i>Hak Pengusahaan Hutan</i> (Forest Timber Concession)
HPT	<i>Hutan Produksi Terbatas</i> (Limited Production Forest)
HTI	<i>Hutan Tanaman Industri</i> (Industrial Timber Plantation)
Inkopad	<i>Induk Koperasi Angkatan Darat</i> (Indonesian Army's business cooperative)
IPK	<i>Ijin Pemanfaatan Kayu</i> (Land conversion permit)
MoF	Ministry of Forestry
MR	Malaysian Ringgit

MTC	Malaysian Timber Council
NGO	Non-Governmental Organization
NTFPs	Non-Timber Forest Products
OHL	<i>Operasi Hutan Lestari</i> (Operation for Sustainable Forest)
PLB	<i>Pos Lintas Batas</i> (Border Crossing)
SKSHH	<i>Surat Keterangan Sahnya Hasil Hutan</i> (Timber legality certificate)
STDC	Sarawak Timber Development Cooperation
STIA	Sabah Timber Industry Association
TNC	The Nature Conservancy
Yamaker	Yayasan Maju Kerja

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Executive Summary

Over the last few years, illegal logging has been at the center of policy debates about the current state and future prospects of Indonesia's forestry sector. To a significant extent, the policy dialogues as well as public understanding of the illegal logging problem have been influenced by the timber establishment's view that clandestine timber smuggling is responsible for illegal logging activities in the country. Echoing this sentiment, the Indonesian government has been at odds with neighboring countries Malaysia and Singapore over their perceived lack of cooperation in stemming the illegal flow of Indonesian timber across the border and thus helping to rein in illegal logging. At the same time, timber smuggling has become the focus of forest law enforcement operations in Indonesia.

This paper scrutinizes the assumption that timber smuggling is at the core of the illegal logging problem in Indonesia. Taking the border zone between Indonesia and Malaysia on the island of Borneo (Kalimantan) as a sample unit of analysis and complementing it with data from other parts of Indonesia, the paper shows the intensity of timber smuggling was relatively high between 2000 and 2003, but has since declined by over 70%. Despite this decline, illegal logging in Indonesia still continues at a rate of approximately 40 million m³ per year. It seems clear that timber smuggling is not the primary driver of illegal logging in Indonesia. Instead, the core of the problem is the extraction of timber by Indonesian forest concession holders, plantation developers, road construction companies and other ventures that abuse company permits and violate prevailing forestry regulations.

The current timber trade system, controlled by the government regulating bodies BRIK and ETPIK, stresses the administrative and documentary compliance of forestry businesses in Indonesia. However, this is not enough because these requirements are relatively easy to manipulate and their enforcement is lax. There is an urgent need for a timber legality standard that would be more difficult to manipulate, simpler to enforce and easier to evaluate – e.g. the standard developed collaboratively by LEI, TNC and other parties. This will require a lot of political will, commitment and sustained effort from a range of government agencies to endorse the legality standard, develop the implementation framework, provide public policy incentives and remove disincentives, allow third party independent verification of legality, and perhaps most importantly develop a comprehensive plan to balance the supply and demand for timber in Indonesia. While this is a lot to hope for, it seems to be the only way to make meaningful and lasting progress on the illegal logging issue in Indonesia.

1. Introduction

Over the last few years, illegal logging and illegal timber trading have dominated debates on the current state and the future of Indonesian forestry. Illegal logging and the illegal timber trade have been associated with a range of negative impacts on Indonesia's environment, economy and society. Both activities are major contributors to deforestation and forest degradation in Indonesia (Gatra, 7 November 2003; Pikiran Rakyat, 22 September 2003). They also result in a significant loss of national tax revenue, estimated at US\$ 600 million¹ annually (Asia Pulse, 18 June 2003; Media Indonesia, 18 June 2003). Finally, the illicit wealth generated from illegal timber is a source of social conflict as well as widespread corruption.

The decline of Indonesia as a major producer and exporter of plywood and sawn timber is often blamed on timber smuggling. A plethora of such activities is taking place in Indonesia's key forested regions of Kalimantan, Sumatra and Papua – and they are most often pointed out as the cause of the forestry sector's struggles and of illegal logging as a whole. This is the view of Indonesia's main timber producer and exporter associations such as APHI (*Asosiasi Pengusaha Hutan Indonesia* - Association of Indonesian Forest Concession Holders) and APKINDO (*Asosiasi Panel Kayu Indonesia* – Indonesian Wood Panel Association) – a view regularly communicated at national and international forums (Jakarta Post, 20 February 2001).

¹ Forest Crime as a Constraint on Development by Mark Baird, World Bank Country Director for Indonesia, 13 September 2001

While the Indonesian Ministry of Forestry (MoF) officially holds a more complex view of illegal logging and the illegal timber trade anchored on structural imbalance between the available supply and effective demand for timber, on numerous occasions MoF has echoed APHI and APKINDO's sentiments about the causes and implications of the illegal logging crisis. MoF has criticized a number of timber importing countries, particularly Malaysia and China, for accepting what it calls stolen timber from Indonesia and giving an unfair advantage to wood-working industries in both countries (Jakarta Post, 15 October 2003). MoF has also been complaining about international timber smuggling rings operating in Indonesia's border regions, and about the lack of transparency in major regional timber trade hubs such as Singapore and Peninsular Malaysia (Asia Pulse, 15 October 2003). Forest law enforcement (FLE) measures deployed in Indonesia have often reflected the assumption that the illegal timber trade is externally funded and it is a key part of the illegal logging problem in vulnerable border and transit regions (Kompas, 28 October 2003; Pontianak Post, 19 June 2003).

2. Objectives and methods

Since FLE measures deployed in Indonesia to reduce illegal logging by zeroing in on the illegal timber trade involve substantial financial and human resources as well as social and political costs, it is important to examine the claims being made about the importance of tackling timber smuggling in combating the illegal logging problem in Indonesia. In doing so, this paper aims to inform the ongoing debates among government institutions, the private sector, donors, NGOs and research organizations about the relationship between timber smuggling and illegal logging in Indonesia. It also seeks to highlight the adjustments needed in Indonesian government forest policy-making aimed at combating illegal logging.

The paper focuses on the following key questions:

- What is the extent of timber smuggling in Indonesia?
- Is timber smuggling responsible for illegal logging in Indonesia?
- What specific factors drive timber smuggling?
- Are current FLE policies to curb timber smuggling and illegal logging appropriate?

The sample unit of analysis for this paper is the border zone between Indonesia and Malaysia on the island of Borneo. Field work has been carried out in several locations along the entire length of the border in the provinces of East and West Kalimantan as well as in the Malaysian states of Sabah and Sarawak. The field research and subsequent analysis were structured around the following methodological steps:

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- Review of available published and unpublished sources on the cross-border timber trade, plantation establishment and infrastructure development
- Analysis of available timber trade documentation
- Analysis of remote sensing imagery of the border zone in Kalimantan
- Aerial survey of the borderline to assess cross-border road intrusions and the potential for overland timber traffic
- Investigation of a sample of timber traffic points along the border
- Collaboration and exchange of information with partners engaged in similar analyses in other parts of Indonesia

3. The border zone in Kalimantan

The borderline dividing Indonesia's Kalimantan and the Malaysian states of Sarawak and Sabah on the island of Borneo is an imaginary line first drawn and agreed upon by the British and Dutch colonial powers in the 19th century. The total length of the land border is 1,840 km, a substantial part of it passing through some of the most inaccessible parts of the island (MoF 2005). The indigenous groups (Dayak, Melayu) split by this line have until fairly recently ignored it all together, moving freely along hundreds of footpaths connecting the villages on both sides of the divide. Once tribal warfare ceased at the end of the 19th century, the movement of people across the border was largely for trade and barter purposes.

In the 1920s and 1930s, the Dutch administration began to play closer attention to the border town of Nunukan when emerged as major entry point for opium smuggled illegally from Tawau on the British side. The smuggling was carried out within the framework of the barter trade that was already lively well before the Second World War. After the war, it intensified further as hundreds of native vessels, known as *kumpit* boats, crossed the border back and forth bringing raw materials to Sabah and "smuggling manufactured articles back home" (Lee 1976:5). While in the 1960s and 1970s the list of popular Indonesian items featured raw materials such as rubber and dried fish in exchange for consumer goods, since the 1990s the most commonly sought after Indonesian commodities have been timber, diesel fuel, wildlife, NTFPs (non-timber forest products) and contract labor. In return, products brought back to Indonesia include electronics, chemicals, clothes and a range of other consumer goods. However, the original barter trade system, set up in the early 1900s to exchange an item for an item, does not function anymore; it has

been a fully-fledged cash-based market system since at least the 1960s. In West Kalimantan, a similar system of trade existed between the Sambas area and the port of Sematan in Sarawak. In the 1990s, it came under the framework of the Free Trade Zone (FTZ) established in the border belt of the Malaysian state of Sarawak (e.g. Tirtosudarmo 2002)².

The Indonesian government officially defines the border zone in Kalimantan as the area within the districts (*kabupaten*) contiguous to the international borderline. Following such definition, the Kalimantan border zone comprises 3 *kabupaten* in East Kalimantan (Nunukan, Malinau, Kutai Barat) and 5 *kabupaten* in West Kalimantan (Sambas, Bengkayang, Sanggau, Sintang, Kapuas Hulu) with a total area of 7.2 million hectares. This vast area is very sparsely populated. In 2005, the total population of Kalimantan's border zone was estimated at about 260,000 people. Since a substantial part of this population inhabits villages and small towns near the main communication arteries (rivers), a large portion of the border region in Kalimantan is effectively uninhabited.

Nearly 60% of the land area, or just over 4 million hectares, in the border zone is forested. In terms of bio-physical characteristics, the area encompasses the upper parts of all major river systems in Borneo – e.g. Sebuiku-Sembakung, Kayan, Mahakam, Barito, Kapuas, Rajang, Baram. As a result, the forest cover comprises mostly sub-montane and montane forest. Reflecting the critical importance of this region for the ecology of all major river systems in Kalimantan, timber extraction in the border zone is limited and a large portion of the forest estate is protected as national parks or nature reserves. As of 2005, 4 existing national parks covered about 2.4 million hectares, while another 7 conservation areas were under consideration.

Setting aside parts of the headwater regions in the central parts of Kalimantan near the border with Malaysia for conservation purposes is a relatively new phenomenon that dates back only to the early 1990s. The security approach that allocated all accessible areas to the Indonesian Armed Forces pre-dates the environmental policy-making by nearly three decades. In the early 1960s, the military was given full control of all productive forest areas near the

² Press Release: Indonesian Timber Passing Through Malaysia's Free Trade Zone (FTZ), (MTC) Malaysian Timber Council 14 May 2004

border with Sarawak and Sabah, Malaysia, for political and security reasons. In 1967, this arrangement was formalized when the Ministry of Forestry (MoF) granted a company called PT. Yamaker (an Indonesian military cooperative called Yayasan Maju Kerja) forest concessions licenses (HPH, *Hak Pengusahaan Hutan*) extending over 1 million hectares along the border with Malaysia – 843,500 hectares in West Kalimantan and 265,000 hectares in East Kalimantan.

While dominant, Yamaker has by no means been the only player involved in managing the forest for timber in the border zone. A number of other HPH concessions have been active as well (Table 1). It is interesting to note that a number of these concessions are military owned or controlled (e.g. PT. Giri Ekawana, PT. Duta Rendra Mulya).

Table 1. Active HPH licenses in Kalimantan's border zone as of 2005

No.	Company	Location	District	Area (ha)
1.	PT. Anuraga	S. Engkatat, S. Sey	Sanggau	51,000
2.	PT. Kusuma Perkasa I.T.	S. Sekayam, S. Landak	Sanggau, Landak Bengkayang	80,000
3.	PT. Benua Indah	S. Embaloh Hulu, S. Sunuk	Kapuas Hulu	51,300
4.	PT. Lanjak Deras Jaya Raya	S. Embaloh, S. Kapuas	Kapuas Hulu	45,740
5.	PT. Tawang Meranti	S. Ketungau, S. Tawang	Kapuas Hulu	49,200
6.	PT. Giri Ekawana	-	Malinau	110,000
7.	PT. Duta Rendra Mulya S.	-	Malinau, Kutai Barat	215,000

Source: MoF (2005)

The forest area slated for conversion to other uses in the border zone is very small as it amounts to only 23,000 hectares (MoF 2005). It is therefore difficult to understand how active and planned plantation estates in the area can cover hundreds of thousands of hectares (Table 2). It is possible that the PT. Finantara Intiga HTI (established to feed the planned pulp and paper mill in West Kalimantan) extends over adjacent forest conversion areas beyond the border zone.

Table 2. HTI concessions in Kalimantan's border zone

No.	Company	District	Area (ha)	Status
1.	PT. Finantara Intiga	Sanggau, Sintang	299,700	Active
2.	PT. Lahan Sukses	Sanggau	14,460	Not Active
3.	PT. Mayang Adiwinata	Sanggau	8,060	Not Active

Source: MoF (2005)

Other planned plantation development projects, such as oil palm, clearly indicate that productive forest areas are to be converted to create the necessary space for plantation estates (Table 3). While the areas involved are small, they have recently been used as a precedent to propose a 1-million-hectare oil palm mega project along the border in Kalimantan (e.g. Media Indonesia, 30 June 2005; WWF Indonesia, 2006; Wakker 2006). Once the Ministry of Agriculture (MoA) announced the project plan in 2005, it faced strong criticism from NGOs, research organizations and donor agencies. To contain the fallout, the government agencies in charge have been modifying the project, which will almost certainly be downsized. It is clear, however, that it will be implemented.

Table 3. Oil palm concessions in Kalimantan's border zone

No.	Company	Permit	Area (ha)
1.	PT. Rentang Nusa Gemilang	Persetujuan pencadangan Menhut No. 1123/Menhut-II/92 tanggal 16-12-1992	7,200
2.	PT. Yamaker Sawit Sari	Persetujuan pencadangan Menhut No. 281/Menhut-II/98 tanggal 26-2-1998	13,000
3.	PT. Plantana Razindo	SK Pelepasan Menhut No. 899/ Kpts-II/99 tanggal 14-10-1999	30,551
4.	PT. Satrindo Jaya Agro Palma (formerly Yamaker Satrindo Jaya)	SK Pelepasan Menhut No. 174/ Kpts-II/2000 tanggal 29-6-2000	17,464
5.	PT. Usaha Malindo Jaya (formerly Yamaker Malindo Jaya)	SK Pelepasan Menhut No. 175/ Kpts-II/2000 tanggal 29-6-2000	18,132
	Total		86,447

Source: MoF (2005)

Historically, plantation development in Indonesia, whether HTI or oil palm, has been carried out with strong reliance on migrant labor, primarily from Java. The plans for HTI and oil palm projects in the border zone of Kalimantan envision similarly extensive employment of transmigrants (Table 4). As of now, however, only one transmigration project has been completed, while 4 other projects await realization.

Table 4. Transmigration projects in Kalimantan's border zone

No.	Location	District	Area (ha)	Permit	Planned number of families	Realization
1.	Seluas Pisang	Sambas	1,400	476 Tahun 1996 7 Oktober 1996	250	-
2.	Seluas	Sambas	2,200	240 Tahun 1985 12 Agustus 1985	500	-
3.	Berjokong	Sambas	4,750	241 Tahun 1985 12 Agustus 1985	1,500	-
4.	Sungai Dangin	Sanggau	3,700	153 Tahun 1986 3 Juni 1986	500	478
5.	Dua Petunggu	Sambas	7,660	342 Tahun 1986 12 Agustus 1985	750	-

Source: MoF (2005)

The border zone in Kalimantan – summary:

- Total land area 7.2 million hectares; 4 million hectares of forest
- Population 260,000; large areas uninhabited
- Long history of cross-border interactions, trade
- 2.4 million hectares of protected areas
- Until recently, over 1 million hectares of forest under HPH concessions controlled by the military
- Over 300,000 hectares of HTI plantations
- Vast oil palm plantations planned to spur development and improve security

4. Timber trade across the border in East Kalimantan

In 2000 and 2001, for a number of reasons the Indonesian government turned increasingly more attention to the border zone in Kalimantan. On the political front, Indonesia faced a difficult territorial dispute with Malaysia over the islands of Sipadan and Ligitan – a dispute the Indonesian side eventually lost (The International Court of Justice 2002; Jakarta Post, January 20, 2004). The government in Jakarta was also struggling at the time to manage a wave of decentralization exuberance sweeping across the country. In the borderlands of East Kalimantan, this wave meant, among other things, practically unrestricted flow of timber for export (Muhtadi 1999). There has also been an increase in drug trafficking as well as in the trade of weapons, ammunition and explosives (HRW 2006).

It is estimated that in 2001 and 2002, East Kalimantan supplied up to 2 million m³ of timber to the Malaysian state of Sabah – nearly all of it illegally (Smith *et al.* 2003, Tacconi *et al.*, 2004). MoF estimated that large-scale sea-based smuggling (barges, container ships) through the port of Tarakan accounted for up to 1.2 million m³ of timber smuggled annually (Radar Tarakan, 28 September 2004). Small-scale sea-based smuggling (rafts, wooden vessels) supplied 330,000 m³ per year. The remaining volume of timber (about 500,000 m³) was delivered to Sabah overland. The overland timber traffic benefited greatly from the completion of the Serudong-Kalabakan-Long Pasia road that runs for over 100 km along the border with Indonesia, in some places less than 500 meters from the international borderline. From that major road, dozens of dirt tracks (*jalan tikus*) were constructed into the ex-Yamaker forest concession area in East Kalimantan (Muhtadi 1999)

While 2 million m³ of timber smuggled from East Kalimantan is indeed a large volume, it never became the lifeline for Sabah's woodworking industry as the mass media in Indonesia often like to proclaim. Even in the peak years of smuggling, timber from East Kalimantan supplied raw material for less than 14 percent of the installed wood-processing capacity in Sabah which totals 15 million m³ per annum.

4.1 Yamaker's tale: new faces, old habits

Despite PT. Yamaker holding one of the earliest and most extensive HPH concessions in East Kalimantan and in Indonesia as a whole, the company never developed a comprehensive plan for systematic management of the area it was officially in charge of. From the late 1960s until the cancellation of its license in 1999, Yamaker's position was that of a permit holder that accepted solicited and unsolicited bids for logging operations from various timber contractors.

The scant attention Yamaker paid to its forest concessions turned them into a hotbed of mismanagement and irregularities. There are indications that in the late 1960s, Yamaker concession-holders, possessing little forestry experience and no operational capital, had already been oriented towards arrangements for cross-border timber trade and investment. Local government reports from the mid 1980s describe heavy boat traffic between Yamaker's concession in East Kalimantan and Malaysia (Kanwil Dirjen Perhubungan Laut, 1987). In 1987, for instance, at least 150 boats a day plied the Nunukan-Tawau border area between Indonesia and Malaysia without proper documentation.

Alongside the small-scale traffic, large-scale illegal operations were going on as well. An indication of Yamaker's large scale timber smuggling came to light for the first time in 1997. In January of that year, the Malaysian press reported on a timber smuggling case involving a Tawau based company Syarikat Raspond Sdn. Bhd. and "a major forest concessionaire from the Indonesian side of the border." Syarikat Raspond Sdn. Bhd. was caught ferrying over 3,000 undocumented logs from East Kalimantan (Bangkuai 1997). It soon became known that this was only about one-seventh of the total amount that had already been shipped illegally to Shinko Kaiun Co., Ltd. a timber importing company in Japan (Bingkasari 1997; *New Straits Times* 1997a, b).

While Yamaker survived the fallout from this case, it could do little to halt the criticism and public pressure after the resignation of President Suharto in 1998. In 1999, all Yamaker forest concession areas were canceled and handed over to PT. Perum Perhutani. However, PT. Perhutani's strength had been the management of teak forests in Java, not tropical rainforest concessions in Kalimantan. The company's limited managerial capacity was further eroded by pressure from the military for production sharing arrangements. While Perhutani struggled to draw up a plan to manage the ex-Yamaker concession areas, ex-Yamaker players and their Malaysian counterparts used the power vacuum for activities of their own. A Sabah-based company Saleha Sdn. Bhd. constructed several roads cutting up to 10 km into Indonesian territory, extracting vast amounts of timber as it moved along, and shipping it to Kalabakan log yards (e.g. Huttche 2000).

PT. Perhutani never produced a comprehensive management plan for the forest areas in Kalimantan it was entrusted with. Instead, in 2002 it proposed a number of plantation projects for development in the area – all starting with the clearing of forest areas officially deemed degraded beyond recovery. In the same year, a military backed company PT. Agrosilva Beta Kartika (ABK) and a military cooperative (Inkopad) in Nunukan were given the green light to turn a part of the ex-Yamaker concession area in East Kalimantan into a oil palm plantation. Predictably, ABK and Inkopad hired a Malaysian counterpart from Sabah – Tunghup Sdn. Bhd. – to carry out land clearing (Otonomi Center, Nunukan – pers. comm.). As in the case of Saleha Sdn. Bhd., Tunghup constructed dozens of dirt roads from Sabah into the ex-Yamaker concession area, extracting vast amounts of timber for export to Malaysia. However, once the IPK land conversion permit (IPK, *Izin Pemanfaatan Kayu*) expired in 2003, all three venture partners disappeared.

Simultaneously with the operations of ABK-Inkopad-Tunghup, the Riau-based Surya Dumai group also became involved in oil palm projects in the ex-Yamaker area (Tempo, 2 July 2006). Surya Dumai was less interested in overland timber traffic, instead relying on river and sea routes for log transport until the end of its operations in late 2003. In late 2002, one of Surya Dumai's subsidiaries was caught illegally shipping barges of logs to Tawau. Although the subsidiary and the parent company evaded any legal repercussions, the

dispute over their IPK permits proved more difficult to neutralize. In 2003, it was revealed that Surya Dumai's IPK land conversion permits, covering over 400,000 ha of the ex-Yamaker HPH concession, had been issued illegally (Kompas, 22 October 2005). The case implicated top government officials in the province of East Kalimantan, including the Governor and the Head of the Provincial Forestry Bureau.

The idea of oil palm plantations along the border with Sabah was briefly revived in 2004 by the provincial government as a way to solve the unemployment problem caused by thousands of illegal Indonesian workers being expelled from Malaysia to the border town of Nunukan (Tempo, 4 February 2005). Within this context, development and security concerns were also key considerations. Perhaps because previous oil palm fiascos were still fresh in the public memory, this new plan met widespread public criticism.

4.2 Stray Roads

While the oil palm plans in the border zone were put off indefinitely, the construction of roads proceeded briskly. In most districts, decentralization-based development plans envisioned the construction of a road network that would eventually connect every sub-district (*kecamatan*). The easiest way to accomplish this plan was through contracts allowing the contractors to extract timber as compensation during the road building process. Since in most border *kecamatan* the nearest competent road builders were in Malaysia, cross-border road construction arrangements soon became an established pattern.

While the construction of roads may be economically justifiable, neither districts nor provinces actually possess the authority to approve road projects that cross international borderlines. It has also been shown time and time again that road construction of this kind is a scam that allows construction companies to log vast areas of forest in exchange for a dirt track barely passable during the dry season, let alone the rainy season. The difference between the high cost absorbed by the districts from uncontrolled logging and the few benefits gained from getting a road link is enormous.

In East Kalimantan there have been 3 such cases of cross-border road construction (one is still ongoing). In 2004-2005, district officials representing

Lumbis Subdistrict in the district of Nunukan made an agreement with a logging company in Long Pasia in Sabah to construct a road that would alleviate the isolation of the *kecamatan*. The Malaysian companies Cahaya Matahari and Sariwanto Sdn. Bhd. promptly began construction of a 100-km-long road. In no time, the road started to “branch out” to various nearby villages – Labang, Panas and Tao Lumbis. As the destruction of the forest along the road belt became obvious, village crowds confronted the companies demanding compensation. Cahaya Matahari and Sariwanto Sdn. Bhd. promptly evacuated to Sabah, leaving some of their machinery behind.

During the same period (2004-2005) and through similar subdistrict/district based arrangements, a road was constructed between the village of Long Bawan in Kerayan Subdistrict and Ba'kalalan in Sarawak. The dirt track that was put in place supports no traffic at all; the bulk of consumer goods are still ferried into Long Bawan by air.

The only road building project still ongoing in East Kalimantan's border zone is in Apo Kayan where a Malaysian firm Tapak Megah has constructed a 40-km-long road linking Long Nawang on the Indonesian side to a forest concession road network in Sarawak. The road construction is to proceed beyond Long Nawang.

Among the most common ways for Indonesian and Malaysian border business circles to extract timber illegally has been to quietly construct roads into Indonesian territory and ship timber back to the Malaysian side (Kaltim Post, 3 September 2003). In 2002, the WWF office in Tarakan came forth with a report that Sarawak based logging companies Samling Plywood-Miri and Baram River Club had built roads illegally into Kayan Mentarang National Park (Kaltim Post, 7 November 2002).

A CIFOR 2005 survey confirmed these intrusions. The analysis of 2003 satellite imagery for the border area in East Kalimantan showed at least 56 points along the international borderline where roads from the Malaysian states of Sabah and Sarawak intruded into Indonesian territory. The breakdown was as follows:

- 43 roads penetrating the ex-Yamaker HPH area
- 1 road connecting Lumbis with Long Pasia

- 1 road connecting Long Bawan with Ba'kalalan
- 2 roads from the Malaysian forest concession Samling Plywood-Miri intruding (about 2 km) into Kayan Mentarang National Park
- 1 road from the Malaysian forest concession Jebadi Sdn. Bhd. intruding (about 1 km) into Kayan Mentarang National Park
- 6 roads from the Malaysian side (concession ownership unclear but appears to be Jebadi as well) intruding (about 1 km) into Kayan Mentarang National Park
- 2 roads from the Malaysian forest concession Curiah Sdn. Bhd. intruding into the Apo Kayan area – Long Nawang

A flight over the border area in 2005 revealed that all of these roads were still clearly visible. It seemed certain that all roads in the ex-Yamaker area had been out of use for quite some time. The same was the case with Lumbis and Long Bawan. On the other hand, the remaining 9 road intrusions into Kayan Mentarang and Apo Kayan still appeared fresh.

With a small number of road intrusions from Sarawak still possibly in use, it is nevertheless clear that land-based timber trafficking from East Kalimantan is not particularly significant. Since the overall length of road intrusion into Kayan Mentarang amounts to approximately 11 km and as timber extraction is unlikely to be possible beyond 200 meters from the road due to the rough terrain, the total volume of timber that could have been harvested is about 100,000 m³. The intrusions into Apo Kayan are more difficult to estimate but are likely to be even less significant because parts of the area contain grassland.

4.3 Turning to palm oil

While it is common knowledge that plantation projects and road development in the border zone have, for the most part, been fronts for illegal logging and timber smuggling to Malaysia, plans for similar enterprises continue to abound. Ideas have been floated, for instance, to construct a “northern artery” highway spanning the entire length of the border in East and West Kalimantan (Wakker 2006). There is also the 1-million-hectare mega oil palm project proposal that envisages the conversion of swathes of the forest along the borderline (Media Indonesia, 30 June 2005; WWF Indonesia, 2006). The officially declared main

purpose of the project is to stimulate development and strengthen security in the border zone. Following criticism from NGOs, research organizations and international donor agencies, the original project scenario has been replaced by a more modest plan proposing the establishment of several small to medium-sized oil palm plantations. It is still not clear where within the border zone enough non-forest land will be found for these plantations, as required by the prevailing forestry regulations. In either case, it seems likely that the original oil palm plantation applicants, with close connections to Yamaker, will play a major role (see Table 3).

Among the spin-off ideas from the mega oil palm plantation project has been the proposal by the district of Malinau to convert a 3-km-wide belt along its borders with Malaysia into plantations to spur development and strengthen security (Warta Wanariset Malinau 2004). Not least because such a proposal would clear parts of Kayan Mentarang National Park (a world heritage biodiversity site), the plan has been criticized and, for the time being at least, shelved.

4.4 Timber trade out of Nunukan: then and now

In 2005, the only continuously ongoing timber smuggling activity in East Kalimantan was centered in the Nunukan area and involved illicit extraction and transport of squared logs to Tawau, Sabah. Timber trade of this kind is carried out within the framework of a barter trade that dates back to the colonial period. In 1993, barter trade between East Kalimantan and Sabah was formalized with the creation of Tawau Barter Trade Association (BATS). BATS is an organization that handles what is in effect the cash-based trade of raw materials from Indonesia for Malaysian consumer goods, but in recent years it has had a strong focus on timber. There are about 40 timber-processing plants in Tawau that require at least 1 million m³ of raw material annually.

The timber trade from Nunukan has historically been focused on sea-based transport through the Nunukan Strait or around the Island of Sebatik to the Malaysian port of Tawau. The route around Sebatik Island is the one preferred by round wood exporters who operated until the re-imposition of a log export ban by the Indonesian government in 2002. This route is also used by square log/sawn timber smugglers from central and southern parts of East Kalimantan.

In the aftermath of the log export ban, log smuggling continued along this route, but on much diminished scale. The modus operandi of round wood smuggling reportedly involves small barges or log rafts being towed from the coast to large barges or container ships anchored near international waters and destined for China, India and Japan (Kompas, 20 November 2004). Sources in the field indicate, however, that these activities have been relatively rare as they require the collaboration of top-level officials. Consequently, smuggling of this kind is unlikely to be significant in terms of the volume of timber changing hands.

The Nunukan Strait route is preferred by timber traders who hire logging teams in the Sebuku-Sembakung area to produce square logs. BATS officials in Tawau state that up until 2003, each month about 180 timber boats (each with a load of 40-60 m³ for a monthly total of up to 11,000 m³) arrived from Nunukan. In addition, numerous other boats (from other parts of Kalimantan and Sulawesi) made port calls and rafts of square logs were hauled in as well.

In 2005, the trade in square logs through the Nunukan Strait was still in effect but in a much diminished form. The latest research shows there are still about 50 logging teams spread across the Kalimantan mainland facing the island of Nunukan. Their production output still reaches 4,000 m³ per month. However, increasingly uncertain passage and less interest among Tawau based buyers due to increased public, bilateral and international scrutiny, place considerable limitations on the trade. The small volumes traded are just not worth the risk for the Tawau industry operatives who are inclined to obtain more raw materials from Sarawak, Papua New Guinea and elsewhere. It would have been a different story if Nunukan district had a well developed road network in the proximity of the border – as is the case in West Kalimantan. All in all, the current cross-border timber traffic in East Kalimantan's border zone is a fraction of what it used to be. While in 2001-2002 the province supplied up to 2 million m³ of timber to Sabah, the volumes of timber smuggled across the border in 2005 are estimated at about 200,000 m³.

Timber trade across the border in East Kalimantan – summary:

- Timber smuggling at its peak in 2000-2002, up to 2 million m³ annually – large scale sea-based smuggling (1.2 million m³), small-scale sea-based smuggling (330,000 m³), land-based smuggling (500,000 m³)
- Networks of illegal roads (*jalan tikus*) constructed across the border
- Even at its peak, smuggled timber from East Kalimantan supplied less than 14% of the raw material needed by Sabah's woodworking sector
- Forest management policy along the Indonesian side of the border never firmly established. To-and-fro on HPH concessions, Perhutani management, IPK land clearing, oil palm development.
- Virtually all infrastructure development (roads, oil palm) aimed at timber extraction for short-term gain
- FLE in Indonesia and the international pressure on Malaysia resulted in a drastic reduction of timber smuggling from East Kalimantan to Sabah. In 2005, timber smuggling was down to about 200,000 m³

5. Timber trade across the border in West Kalimantan

In comparison to East Kalimantan, West Kalimantan has a much more intense history of cross-border interactions with the Malaysian state of Sarawak, particularly overland. One of the largest ethnic groups in West Kalimantan is the Iban, also a dominant indigenous community in Sarawak. As a result, the traffic of goods and people between the communities on both sides of the border has always been intense, and it continues to be the case today. There are at least 50 known footpaths connecting native communities on both sides of the border, along which the traffic is entirely unregulated (Pontianak Post, 7 August 2004).

The uncontrolled traffic of this kind was not a problem within the context of traditional subsistence-based economies. However, this has changed with the progress of modernization, lifestyle changes and increasing integration of West Kalimantan's border zone into the world market. Such intensification was facilitated, in part, by favorable geographical and transport conditions. Practically the entire border belt in West Kalimantan is accessible through the Kapuas River and its many navigable tributaries. By the late 1990s, a substantial road network was in place too (e.g. Kartodihardjo and Simangunsong 2004).

The improved access to the border spurred a boom in trade. While this was the desired and expected outcome of infrastructure development, what district and provincial officials did not anticipate was that the vast majority of this trade would be uncontrolled or illegal. Since raw materials and natural resources fetch higher prices in Malaysia, they became the key traded items regardless

of the regulations. Diesel fuel, wildlife, fish, chickens, illegal workers, drugs, firearms, ammunition— all these and more are standard border contraband items (Pontianak Post, 30 July 2004, 27 November 2003, 15 November 2003).

5.1 Trucking and floating the timber

Timber was not far behind. As in East Kalimantan, the timber trade exploded here after 1998. The expansion of illegal timber trading in West Kalimantan appears to have been greatly facilitated by the development of new cross-border roads and their minimal control (e.g. Lawrence *et al.* 2003).

Entikong and Badau are two points in West Kalimantan along the border with Sarawak that exemplify how the construction of roads and the lack of effective controls have led to the escalation in timber traffic. Just a few years after the feeder roads from the main Pontianak-Putussibau artery reached Entikong and Badau and linked both towns with the neighboring urban areas in Sarawak, hundreds of timber-loaded trucks plied the routes daily. It is estimated that in 2004, about 200 trucks transported timber from West Kalimantan to Sarawak through the border crossing at Entikong, an equivalent of 1,000 m³ per day, up to 30,000 m³ per month, or 360,000 m³ per year (Pontianak Post, 6 December 2004). A similar intensity of truck traffic was observed in Entikong in 2005 (Kompas, 21 March 2005, 5 March 2005). Badau in Kapuas Hulu used to be far ahead of Entikong in terms of the volumes of timber traded. In 2003 up to 500 trucks (most of them *tronton* vehicles capable of ferrying 20–30 m³ of timber each) plied the route to the Malaysian town of Lubok Antu in Sarawak. In 2004, the traffic was reportedly down to 200 regular-sized trucks (Pontianak Post, 28 July 2004). This means the volume of timber leaving West Kalimantan through Badau is up to 360,000 m³ per year.

The illegal timber traffic in West Kalimantan is not limited to land-based operations, although land transport is the dominant means of shipping timber across the border. River and sea transport also play a significant role in cross-border timber trading. Just as in East Kalimantan the main destination of timber-ferrying boats to Sabah is the port of Tawau. In West Kalimantan's neighboring state of Sarawak the equivalent is the port of Sematan. In 2004, the timber traffic in this port was reported to be far more intensive in comparison with Tawau (Radar Tarakan, 28 September 2004). It is estimated that up to

500,000 m³ of timber is shipped there from the hinterland of West Kalimantan, first down the Kapuas River and then along the coast (EIA/Telapak 2001).

Overall, in 2005 the volume of illegal timber traded in West Kalimantan reached approximately 1.2 million m³. This figure has been a cause for concern for local government officials, NGOs and national development and forest policymakers alike. The most common response has been to blame agents/financiers from Malaysia for fueling the timber smuggling. The uncontrollability of the timber trade prompted numerous forest law enforcement (FLE) operations in the border region. The situation also generated proposals for a range of mega-project solutions.

5.2 Timber gangsters?

It is true that Malaysian timber buyers are a strong influence in West Kalimantan's border zone. On the Sarawak side of the border, there is a free trade zone (FTZ) that allows for the import and export of goods with few regulations. The area also hosts a substantial timber processing capacity. Naturally, the Malaysian sawmill operators seek the raw materials that give them the largest profit margin; and such raw material comes from West Kalimantan.

The import of sawn timber and square logs from West Kalimantan is not carried out by Malaysians alone. In fact, timber traffic to Sarawak would never be possible without the involvement of thousands of people in West Kalimantan from villages, to loggers, district/provincial officials and security officers (Pontianak Post, 19 June 2003). In Bengkayang District, timber trucks cross the border unhindered after paying IDR 100-200,000 per shipment to the security personnel at the checkpoint. Similarly, in Sambas and Kapuas Hulu districts, timber trucks pay similar amounts at 3 border posts (police, army and customs) on the way to Sarawak.

If the above payments may be seen as illegal bribes, at least one district in West Kalimantan, Kapuas Hulu, decided to introduce legislation that would enable it to impose a tax on timber being shipped from its territory. The tax went into effect and, at least until 2004, Kapuas Hulu collected IDR 50,000 from each truck crossing into Sarawak at Badau (Dermawan 2004, Kompas, 24 June 2004). The timber entering Sarawak from West Kalimantan through all key

entry points (Sematan, Biawak, Serikin, Tebedu and Lubuk Antu) is bought by Harwood Sdn. Bhd., a company appointed by Sarawak Timber Development Corporation (STDC), the main regulator of the forestry sector in Sarawak, to pool and process all timber in the FTZ. An import tax of 10 Ringgit per m³ is levied on the timber, which can subsequently be distributed to any location in Malaysia. While originally virtually no Indonesian documentation was required for processing imported timber in Sarawak's FTZ, due to increasing international scrutiny, in 2005 Harwood Sdn. Bhd. began to require SKSHH (*Surat Keterangan Sahnya Hasil Hutan*) legality certificates.

In addition to land and water-based timber traffic, there have also been instances of cross-border intrusions by the Malaysian timber concessionaries. The 2003 satellite imagery indicates there were 81 points along the border in West Kalimantan where roads from adjacent logging concessions in Sarawak entered Indonesian territory. There were 5 roads intruding into Betung Kerihun National Park; two from Hak Holdings Sdn. Bhd. and three from Pasin Sdn. Bhd. Other roads along the border originated from the concessions of Sabal Sawmill Sdn. Bhd., Jangkar Timber, Syarikat Jaya Kayu Asal Sarawak Sdn. Bhd., Lundu Sawmill Sdn. Bhd., BTSF, Lanab and Sanyan Lumber Sdn. Bhd. NGOs in West Kalimantan report that these intrusions did not continue in 2005 (KAIL – pers. comm.).

Much of the timber shipped from West Kalimantan to Sarawak comes from conservation areas or national parks. West Kalimantan hosts two conservation areas of global significance: Danau Sentarum National Park (132,000 hectares) and Betung Kerihun National Park (800,000 hectares). Both parks have sustained significant damage due to illegal logging and the illegal timber trade. It is estimated that between 2000 and 2003, for instance, at least 200,000 m³ of timber was extracted illegally from Betung Kerihun National Park (Kompas, 8 July 2003).

5.3 Groping for solutions

Both local (district, provincial) as well as central government authorities in Indonesia have been at a loss as to how to address the illegal logging and illegal timber trade problems in West Kalimantan. Since both activities involve thousands of rural livelihoods, the authorities have tried a combination of FLE

measures and development incentives to bring the situation under control. The recurrent key problems, however, are a lack of clear objectives and poor implementation.

As in East Kalimantan, since 2000 the security apparatus in West Kalimantan has launched a series of FLE operations codenamed Wanalaga and OHL (*Operasi Hutan Lestari*, Operation for Sustainable Forest). The impact of these operations has not been clear and is a topic of continuing debate (Pontianak Post, 9 June 2005). Wanalaga in particular has come under fire for allegedly singling out rural communities rather than hunting down “the brains behind illegal logging and timber smuggling”. Wanalaga officers have also been criticized for receiving money from sawmills and timber traders in West Kalimantan in exchange for their exclusion from investigation (Pontianak Post, 28 July 2004). The Police Command of West Kalimantan tried to deal with these issues by intensifying FLE operations, launching air surveillance of the border and participating in OHL forest law enforcement initiatives started in 2004 (Pontianak Post, 6 August 2004).

On the economic front, there are several conflicting development initiatives being proposed, which makes it difficult to predict their implications and future outcomes. On the one hand, there is a push to legalize the illegal cross-border traffic. The first step in that direction was turning Entikong and Badau into official border crossing posts (PLB, *Pos Lintas Batas*). The provincial government has also set up a Coordinating Body for Border Development (*Badan Koordinasi Pengelolaan Border*) tasked with establishing border development centers in select locations. It is unclear what the focus of such development centers is supposed to be. At one point, the idea was to develop a local wood-working industry. There is also an ongoing effort to promote the establishment of a string of oil palm plantations in the border zone (Kompas, 23 December 2005). Incongruously, in 2003, a parallel government-sponsored initiative was launched to encourage the districts that host Danau Sentarum and Betung Kerihun national parks in West Kalimantan to become conservation oriented (Kartodihardjo and Putro 2004).

Timber trade across the border in West Kalimantan – summary:

- Long history of cross-border trade
- The emergence of timber traffic facilitated by the development of a network of roads
- In 2004, land-based illegal timber traffic reached 720,000 m³ through the Entikong and Badau border crossings
- Sea-based traffic delivered 500,000 m³ to Sarawak the same year
- Illegal cross-border timber traffic is condoned by local authorities, who obtain tax revenue from it for district budgets, not to mention funds for private enrichment
- Liberal trade regulations in Sarawak, Malaysia, particularly in the Free Trade Zone (FTZ), create an unlimited market for undocumented timber from Indonesia
- Illegal cross-border roads intrude into Indonesian territory
- FLE operations on the Indonesian side extensive, but their integrity compromised and impact limited
- The international media pressure is pushing STDC to tighten controls in Sarawak's FTZ

6. How significant is cross-border timber smuggling within the context of illegal logging in Indonesia?

It is a commonly accepted view that over the last several years, timber smuggling has resulted in vast volumes of timber being stolen from Indonesia, causing serious economic losses and extensive environmental damage. Timber smuggling has also been presented as the main cause of illegal logging. In 2003, Indonesia's MoF reported that up to 10 million m³ of timber was smuggled out of the country annually (Dephut 2003). Papua alone was estimated to supply up to 600,000 m³ per month for illegal export, primarily to China. According to MoF, in 2003 Papua supplied between 6 and 7 million m³ of timber for illegal trade, while the remainder (approximately 3 million m³) came from Kalimantan and Sumatra. A year later, EIA/Telapak reported that Papua's contribution to timber smuggling dropped to 300,000 m³ per month (EIA/Telapak 2005).

Following the extensive FLE crackdown on timber smuggling in Papua in early 2005 – a crackdown brought about by MoF 2003 and EIA/Telapak 2005 reports – illegal timber shipments from Papua have virtually stopped. In Kalimantan, while in 2002 cross-border timber smuggling reached about 4 million m³ annually, as a result of FLE and international pressure in 2005 the smuggling dropped to around 1.5 million m³. Partner reports from Sumatra indicate the current level of timber smuggling from the island are in the vicinity of 1 million m³ annually. As a result, over the last 2-3 years the overall magnitude of timber smuggling from Indonesia appears to have declined dramatically from 10 million m³ to less than 3 million m³ – a decline of over 70%. The combined effect of FLE operations, international scrutiny and public as well as market pressure appears to have led to this remarkable turnaround.

While indeed successful, the progress in curbing the illegal timber trade has been achieved in what is arguably the area of least concern. Even when timber smuggling was at its peak in the early 2000s – reportedly reaching up to 10 million m³ – it was still less than a quarter of the overall volume of timber extracted illegally by Indonesian timber concessionaries for domestic consumption, processing and export (MFP 2006). Remarkably, with timber smuggling down by 70%, recently MoF has stated that illegal extraction of timber in Indonesia continues essentially unchanged, hovering at around 40 million m³ of timber per annum (Bisnis Indonesia, 6 July 2006).

While it is evident that illegal extraction, processing and trade of timber within Indonesia are much more urgent problems (volume-wise) than timber smuggling, it also apparent that complete elimination of timber smuggling in Indonesia will be difficult to achieve due to well-entrenched incentives against legal timber trade practices. These are as follows:

- Timber export permits are controlled by government bodies such as ETPIK (Registering Body for the Exporters of Timber Products) and BRIK (Body for Revitalization of Forest Industries) that are heirs to APKINDO
- Stifling bureaucratic red tape: there are at least 13 distinct steps to follow and a mass of documentation to sort out for timber export of any size to proceed
- Export procedures involve high transaction costs
- The procedures are oriented towards large companies
- Small and medium timber operators unwilling to go through them
- Weak inter-institutional collaboration (forestry, police, customs, navy etc) for surveillance and law enforcement
- Limited Indonesian-Malaysian bilateral collaboration (forestry, police, customs, navy etc.)
- Limited capacity to monitor the border zone regularly beyond the areas readily accessible by road or water transportation

For timber traders unwilling to face the complexity of the Indonesian timber export system, streamlined border trade regulations in Malaysia offer a much simpler alternative. Government policies in Malaysia that facilitate the import of Indonesian timber include the following:

- Overriding mandate/objective of Malaysian border controls (especially Customs) to encourage trade and minimize market controls
- FTZ (Free Trade Zone) regulations along the Sarawak-Kalimantan border that require minimal documentation for imported timber
- BTZ (Barter Trade Zone) regulations in the port of Tawau that impose minimal documentation on imported timber
- Limited understanding of, and capacity to verify trade documents originating from the Indonesian side
- Limited capacity to monitor the border zone regularly beyond the areas readily accessible by road or water transportation. Most active logging concessions in Malaysia operate within kilometers (in some cases only hundreds of meters) of the border with Indonesia. As logging roads rarely link up with the public road network, monitoring of these remote sites is difficult.

Limiting the illegal timber trade from Indonesia further would require steps beyond FLE such as review, reform and synchronization of forestry, and trade and development policies between Indonesia and Malaysia, particularly in the border zone. While discussions are ongoing between the two countries about making progress on at least a few key issues (security, labor, roads), it is unlikely that these processes will have an immediate impact on limiting the illegal timber trade from Indonesia.

How significant is cross-border timber smuggling within the context of illegal logging in Indonesia? – summary:

- According to MoF, in 2003 timber smuggling from Indonesia reached 10 million m³ annually – including 6-7 million m³ from Papua and 3-4 million from Kalimantan and Sumatra
- By 2005-2006, timber smuggling dropped by 70% to less than 3 million m³
- Forest law enforcement operations, international scrutiny and public as well as market pressure appear to have led to this remarkable turnaround
- Illegal logging continues at a rate of at least 40 million m³ annually. Timber smuggling, however, is of least significance within the overall framework of the illegal logging problem in Indonesia
- Some smuggling will continue despite preventive measures in place due to administrative disincentives for legal timber trading in Indonesia (particularly for small and medium-sized companies) and due to lenient trade regulations in the border regions in Malaysia

7. Prioritizing government policies against illegal logging in Indonesia

The main problem facing Indonesian forestry is not market distortions, environmental damage or lost tax revenue caused by timber smugglers at remote border crossings. Rather, it is the illegal logging by Indonesian forest concessionaries, plantation developers, road construction activities etc. that escapes the checks of the Forestry Service, passes through its administrative system and enters trade through the Indonesian export system under ETPIK and BRIK (MFP 2006). This is the primary avenue for trade in illegal wood products from Indonesia. A 2004 study by CIFOR and TNC shows how these processes work in Berau and East Kutai districts, East Kalimantan, where nearly half of harvested and processed timber was not properly reported and taxes due were not collected, yet the timber entered the official trade system (Obidzinski 2005).

The current timber trade system under ETPIK and BRIK and the way it loosely links up with forestry administration and on-the-ground supervision of forestry operations in Indonesia has serious weaknesses that enable trade in vast quantities of timber that is technically illegal. While the government holds that both ETPIK and BRIK impose sufficient legality requirements that stress administrative and documentary compliance by forestry businesses in Indonesia, these requirements are simply not enough. This is because they are relatively easy to manipulate and their enforcement is lax.

There is a great need for a stricter timber legality standard (e.g. the standard developed collaboratively by LEI, TNC and other parties) that would be clearer,

simpler to enforce and easier to evaluate. Such a standard would offer hope for a real and lasting solution to the illegal logging problem in Indonesia, but would require a number of courageous steps on the part of MoF, including:

- Endorsing the legality standard as the only proxy for legality in Indonesia
- Developing an implementation framework to enable concessions to achieve the legality standard in a set period of time
- Providing public policy incentives for companies to comply (e.g. removal of disincentives that encourage illegal practices)
- Enforcing mandatory legality verification checks by independent third parties
- Reduction of the role of the Forest Service in monitoring (e.g. limited to monitoring via remote sensing) because it is a disincentive for achievement of legality due to the high costs
- Development and implementation of key tools to control, monitor and evaluate timber supply and demand

The above steps require a lot of political will and sustained effort from a range of government agencies. Extensive and effective collaboration between the private sector and non-government stakeholders (NGOs, communities, research institutions and donors) will also be necessary. While it is a lot to hope for, it seems to be the only way to make meaningful and lasting progress on the illegal logging issue in Indonesia.

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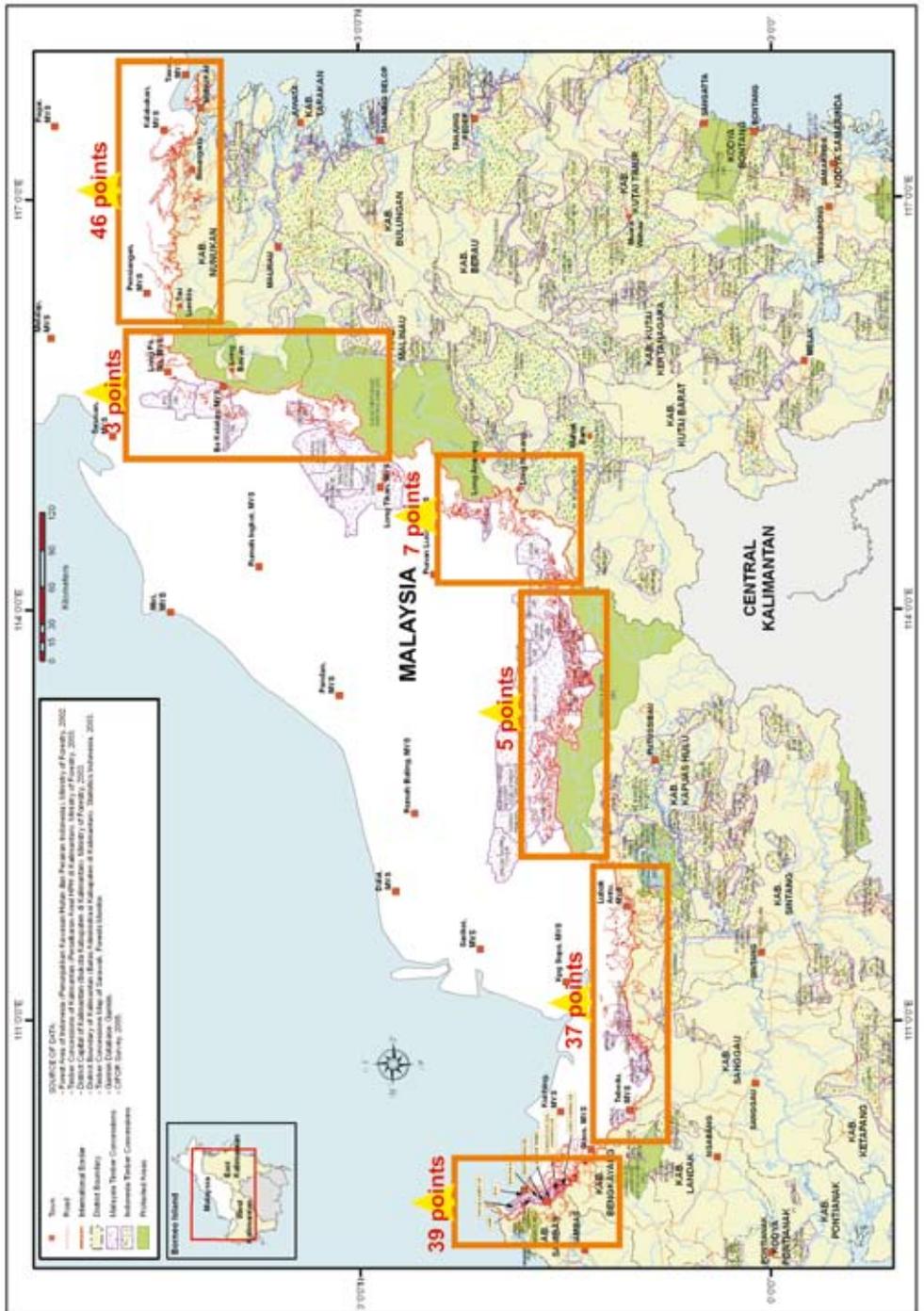
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Appendix: The border zone of Kalimantan



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