



For further information, please contact:

Coimbra Sirica: +1 301 943 3287 or csirica@burnesscommunications.com
Michelle Geis: +254 701 709 790 or mgeis@burnesscommunications.com

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Indonesia, EU Sign Pact to End Exports of Illegal Timber, Reverse Environmental Damage to Indonesia's Vast Forests

***With New EU Law Requiring Legal Sourcing of Wood Products,
Indonesia Commits to Enforcing New Rules in Asia's Largest Rainforest***

BRUSSELS and JAKARTA (4 May 2011)—The European Union and the Government of Indonesia today announced a new agreement aimed at stemming the flow of illegally harvested timber, which until recently had represented approximately 50% of timber exported from Indonesia and 20% of timber products imported into the EU, according to various estimates.

The “Voluntary Partnership Agreement” with Indonesia, the world’s third-largest tropical forest nation, is the most ambitious yet of the EU’s bi-lateral pacts aimed at slowing the destruction of tropical forests.

In less than 50 years, Indonesia has gone from being 82% forest to only 49% today, a trend that has led to social problems, environmental degradation and a loss of economic opportunities on a massive scale, according to studies of the impact of deforestation on the nation of 245 million people. In 2007, a UN report estimated that 73 to 88 percent of timber logged in Indonesia was illegally sourced. Between 1990 and 2005, Indonesia lost 28 million hectares of forest, almost enough to cover the landmass of the Philippines.¹

Indonesia has boosted efforts over the past years to combat illegal logging. In fact, a recent Chatham House study reports log smuggling from Indonesia to China has fallen by 92% since 2004, and illegal logging in the forest nation has dropped 75 percent in the last decade, although some 40% of timber production remains illegal.²

In concluding their negotiations today, the leadership of the EU and the Government of Indonesia made clear their commitment to jointly respond to the problem of illegal logging and related international trade; they also linked the implementation of a new Indonesian system for ensuring that timber has been legally harvested to recent legislation that will prohibit the importation into the EU of illegal timber and timber products. In a congratulatory speech following the signing ceremony in Jakarta today, Commissioner Karel de Gucht noted, “Not only is Indonesia the first Asian country to conclude VPA negotiations with the EU, it is also by far the largest timber exporter to enter into such an agreement.” Meanwhile, Indonesian Forestry

¹ http://www.chathamhouse.org.uk/files/16980_0710crc_illegallogging.pdf

² <http://www.chathamhouse.org.uk/publications/papers/view/-/id/913/>

Minister Zulkifli called the agreement a significant breakthrough, the culmination of four years of negotiations.

Growing Impact of New Laws in EU, US

Two new laws recently enacted in the US and the EU—thought to affect approximately one-third of Indonesia’s forest exports—have been key drivers in the government’s decision to adhere to the strict auditing scheme to ensure legality. US traders are now prohibited under the federal “Lacey Act” from buying or selling illegal timber. And as of March 2013, the new EU Timber Regulation will prohibit the selling of illegal timber in the EU. Furthermore, all first-time sellers must ensure that the wood in the products they import has been legally harvested.³ Other nations that import timber from tropical forest nations are expected to follow suit, including Australia. Japan has yet to act on a similar measure, however.

The EU imports US\$ 1.2 billion in timber and paper from Indonesia, or 15% of the nation’s exports, but the national auditing scheme will cover all exports, regardless of destination. A major exporter of timber and timber products globally, Indonesia exports furniture, plywood and pulp and paper products to Japan, the United States and the nations of the European Union, in particular Germany, the United Kingdom, the Netherlands, Belgium, France, Spain and Italy. The VPA announced today in Jakarta follows other bi-lateral agreements the EU has signed with timber-exporting countries in Africa, starting with Ghana, Cameroon, Republic of Congo and the Central African Republic, and is the first in Asia and the biggest yet. An instrument that emerged from the European Commission’s 2003 Action Plan on Forest Law Enforcement, Governance and Trade (or FLEGT), the VPA is designed to halt the export of illegal timber into EU markets.

Once signed by the two parties, both sides must ratify the agreement, which is expected to take about nine months.

The Indonesian government entered into formal VPA negotiations in 2007, but the process of creating and negotiating a legality assurance system began in 2003, in collaboration with civil society groups and eventually with industry and local and regional governments. The government presented initial proposals for the scheme to the EU in July 2009, and in March 2011, Indonesian industry came out in support of the agreement. The new verification system forms the backbone of the agreement concluded with the EU.

With March 2013 as the target date for full implementation of the VPA, members of global and national civil society groups involved in the negotiation said they were “cautiously optimistic” about the impact of the agreement on illegal logging in Indonesia. They noted that success would rest on the quality and transparency of the auditing system, and whether penalties will be applied in a meaningful way.

“We are hopeful,” said Mardi Minangsari, with Telapak, an Indonesian civil society group that has been involved in the VPA process since 2003. “We have worked hard with other stakeholders to design a system that will involve independent auditing and independent monitoring by civil society. Also, we know that the new legislation in the US and EU preventing

³ <http://www.chathamhouse.org.uk/publications/papers/view/-/id/1034/>

the entry of illegal timber has played a big role in convincing industry of the need to transform the way timber is harvested in Indonesia.”

Independent auditing companies have already begun reviewing the legality of activities in forests and factories, but local groups and individuals can file complaints if the audits do not match the reality on the ground. Some 30 million people depend on the forests for their livelihoods, and a key provision in the agreement will allow forest communities to push for suspension of a company’s timber exports, if they find evidence of illegality. So far, 13 auditing companies have verified legal production from 1.1 million hectares of forest and 51 factories.

“European Traders congratulate the Government of Indonesia and the European Commission on their progress, which will make it easier for companies to be sure of the legality of products they buy from Indonesia,” said Andre De Boer, Secretary General for European Timber Trade Federation, which represents twelve national timber federations mainly from the importing wood and wood products sector. “This regulation will support our quest for a level playing field in the market, encouraging buyers to purchase legal and sustainable timber, and therefore supporting producers who act responsibly.”

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The European Forest Institute (EFI) is an international organization established by European States. EFI works to secure the sustainability of forests and societies by bringing together the best possible cross-boundary knowledge and expertise, and by actively contributing to the ongoing dialogue on forests.

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