

Dialogue on  
Timber Trade, Forestry  
Law Compliance  
and Governance



*This timber concession in Guyana has recently applied to have its operations certified by the Forest Stewardship Council. (Douglas Sheil)*





Large quantities of illegal timber are transported by river in Indonesia. (Agus Andrianto)

## Plenary Session at Asia-Pacific Forestry Week

Thursday, 24th April, 08:30 – 12:00pm

National Convention Centre, Hanoi, Vietnam (room 313)

### Introduction

**Boen Purnama**, Secretary General, Ministry of Forestry of Indonesia; Chair, United Nations Forum on Forests (UNFF), 8 Bureau.

Dr Boen welcomed the audience on behalf of the Indonesian Ministry of Forestry and congratulated the Asia Forest Partnership (AFP) for organizing the event – “this has been an excellent effort to elevate participation of the private sector and civil society in achieving sustainable forest management.”

Timber trade, forest law compliance & governance are all central themes of AFP.

Although deforestation does show some signs of decline, it is still “rampant” in parts. It is a very difficult issue to address, as there are a range of actors involved with range of interests, many of which wield a lot of power.

Indonesia has undertaken many initiatives to help combat illegal logging (eg. FLEGT), but this complex problem requires a concerted and committed effort, and not just from government.

There are a number of instruments to drive this effort, of which trade is one. The challenge is to find a balance between the costs of such instruments and their impact.

“The UNFF would welcome input from this dialogue.”

Participants were then shown a documentary film - *The Forest of South Sulawesi* – which won two categories at the 31st International Wildlife Film Festival 2008 Awards. The film documents the local community’s innovative and cooperative approach to combating the illegal timber trade.

### Moderator

**Rico Hizon**, BBC Asia Business Report

Mr Hizon enthusiastically greeted the participants, and posed two key questions that would underpin the Dialogue:

- Can illegal trade in timber be eradicated?
- Are developed countries taking initiative to play their part?
- He promised that “WE WILL FIND THE SOLUTIONS!”, but only if there was participation from all sectors of the audience. Mr Hizon then introduced the first of five presentations.



## Session 1: Presentations

### 1. Actions by Consumer Countries to Tackle the International Trade in Illegal Timber

Federico Francisco Lopez-Casero, Institute for Global Environmental Strategies (IGES), Japan

#### Changing patterns

Dr Lopez-Casero commenced his presentation by pointing out that round wood imports into traditional markets (eg. EU & USA) are decreasing, while for a number of emerging markets throughout the Asia-Pacific region they are increasing (eg. China & Vietnam).

#### What consumer countries are doing?

- Only recently have many consumer countries acknowledged that they have a responsibility to address illegal timber trade. This acknowledgement has come about due to a number of factors, including pressure from civil society, self interest (eg. climate change) and moral obligation.
- One major initiative that has been established to do so is the Forest Law Enforcement and Governance (FLEGT).
- This relies heavily on Voluntary Partnership Agreements (VPAs), which will license legal timber, exclude unlicensed timber & define legality. VPA negotiations are ongoing in Malaysia, Ghana, Indonesia and other timber producing countries. The first VPA is expected to be announced during 2008.
- The EU is also looking at the possibility of a complete ban on unverified timber
- The Lacey Act (1900) prohibits trade in and possession of endangered domestic plants in the USA. An amendment to the act – to contain all plant products (including timber) - is currently under discussion in US Congress.
- Public procurement policies primarily affect construction timber, furniture & paper.
- Private sector initiatives include the Timber Trade Action Plan (TTAP) – including Cameroon, Congo, Indonesia, Malaysia, China and Brazil – and individual Codes of Conduct in countries including Belgium, Holland, France, Spain, UK & Japan.

#### Beyond 2008

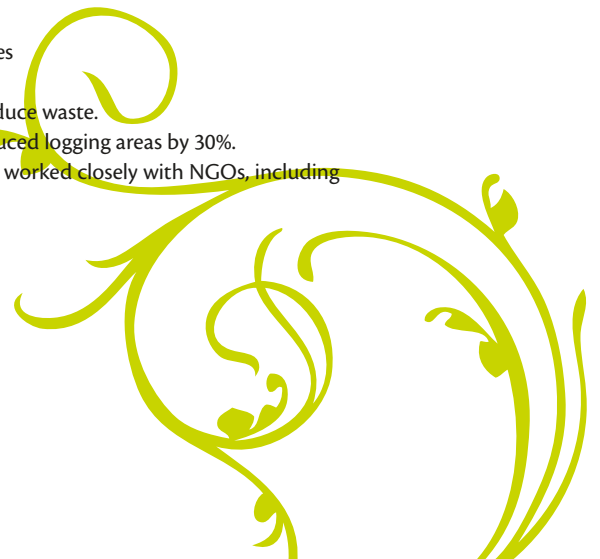
- There must be improved coherence between procurement policies
- Other recommendations include green building standards, increased customs cooperation, greater focus on re-exporting intermediaries and global licensing schemes.

### 2. Ensuring the Sustainability

Amir Sunarko, Sumalindo Lestari (SL), Indonesia

Mr Sunarko commenced his presentation by providing a brief overview of Sumalindo Lestari.

- The company is part of Singapore-based Samko Forest Holdings, and carries out much of its operations in East Kalimantan.
- Sumalindo operates natural tropical and plantation forest, as well as logging, plywood production, mdf, secondary process & mouldings.
- It was awarded a Forest Stewardship Council (FSC) certificate for sustainable forest management.
- VISION: to be the best in the world and socially responsible integrated wood-based industry which produce eco-solutions by utilizing its raw material from sustainable resources.
- Eco-Concept: "Reduce, Recycle, Reuse"
- Sumalindo is committed to:
  - Raising greater cross-border understanding & co-operation
  - Promoting Corporate Social Responsibility (CSR) amongst businesses
  - Promoting adoption of an eco-friendly lifestyle
- Sumalindo uses technology to maximize the utilization of wood and reduce waste.
- It has also established self-imposed conservation zones, which have reduced logging areas by 30%.
- In developing and implementing its sustainability policy Sumalindo has worked closely with NGOs, including TNC & WWF.



**No. 3: Are timber markets changing? If so, what are the implications for industry, forests, people and governments?**

**Moray Isles**, Dalhoff Larsen & Horneman (DLH), Vietnam

**Overview of DLH:**

- DLH is a Danish-owned group that has been trading and producing timber and wood products since 1908. DLH works globally in 37 countries, has an annual turnover of around US\$1.5 billion, and employs around 4000 staff.
- DLH is organised into 2 main business division - Hardwood and Timber/Board – and trades/produces over 1% of the world's total hardwoods.
- VISION: To be a major independent player in selected segments of the global timber trade and to promote the use of timber from renewable natural resources.
- DLH's timber supply is derived largely from South America, South East Asia and Africa. Its primary market is Europe. The company takes both a commercial and an environmental/social interest in conserving wood supply, so as to leave wood for future generations.
- DLH is committed to the environment and actively engaged in the promotion and production of certified products through its *Good Supplier Project*, and operates the world's largest Forest Stewardship Council (FSC) certified forest, in the Congo – some 1.3 million hectares.

**Vietnam Industry Market Indicators**

- Wood related processing is 5th largest export activity in Vietnam (around 9m<sup>3</sup> pa for all sectors), and a major employer of women and rural labour.
- Valued at around US\$2.4b in 2007 and forecast at US\$3b+ for 2009. Export value is 10 times higher now than 2000, with recent growth estimated at 35% pa.

**Are Markets Changing?**

- Prior to 1999, timber industry was characterized by minimal FSC certification, dominance of natural as opposed to plantation timber (perceived as poor), limited international markets and low customer demands
- Post-2004, FSC now forms 50% of DLH Vietnamese import and export business, plantation wood comprises 60%, import make up 80% of timber requirements and there are strict strict customer demands for sustainability and certification.

**Implications . . .**

All industry players must:

- Adapt quickly to changes
- Promote and develop substitutes for endangered species
- Use only certified products
- Support domestic supply of plantation wood and well managed natural forest
- Educate customers and processors
- Be proactive rather than reactive.



AFP dialogue: Ms Caroline Imun, Mr Amir Sunarko, Mr Moray Isles, Mr Timer Manurung, Dr Federico Francisco Lopez-Casero, Mr Rico Hizon. (Photo: Yani Saloh)

No. 4: Is legal and sustainable timber production important? Who for, and why?

**Timer Manurung**, Telapak, Indonesia

- To be *legal* does not necessarily mean to be *sustainable*.
- Emphasised that the trade of illegal timber is a trans-national crime, which can only be addressed through international, cross-border collaboration.
- Legal: Complies with national regulation (including traceability).
- Sustainable: Maintains ecological value (ie. timber stock, ecosystem function and services) and is socially responsible.
- Argued that to be legal does not necessarily mean to be sustainable, and that there can be various combinations between the two. eg. Some logging practices can be illegal, yet sustainable, while others can be legal but unsustainable.
- This is particularly relevant to small-scale producers, who may operate sustainably but for whom compliance is unfeasible as it is designed for industrial-scale producers.
- Timber purchasers must be accountable for what they purchase, as much as suppliers must be accountable for what they supply. eg. Often the finger is pointed by developed countries at developing countries, when it is their demand that fuels the illegal and/or unsustainable practice in the first place.

No. 5: Certifying Community Forestry in Papua New Guinea

**Caroline Imun**, Foundation for People and Community Development (FPCD), Papua New Guinea.

- FPCD is a local NGO that works with indigenous forest resource owners in Madang province, PNG.
- It established “The Indigenous Community Forestry Group certification scheme” in 2005, and promotes exported sawn timber under the “Eco-timber” label.

#### **Overview of PNG**

- Population of approximately 5 million, comprising 700+ indigenous languages.
- Around 87% forest cover, and 97% customary ownership of land.
- Unsustainable logging practice and lack of compliance with forest laws.
- Local people are marginalized and there is an unequal distribution of benefits

#### **Forest Certification**

- Forest certification was introduced in 1996.
- The Forest Stewardship Council (FSC) certification system was chosen because of its global credibility and potential to empower resource owners.
- FPCD certification scheme currently comprises 5 members, with a total area of 3000ha. The first batch of certified timber was produced in 2007, totaling 9m<sup>3</sup>.

#### **Benefits & Challenges**

- FPCD certification scheme has the potential to increase income, improve living standards, build community capacity, empower resource owners and sustain the natural environment.
- Government must:
  - Enforce laws
  - Foster a market for value-added forest products
  - Support resource owners who want to implement sustainable forest management (SFM), but don't have the knowledge or means
  - Extend certification system to other parts of PNG

#### **Conclusion**

- SFM can be achieved under existing laws, but landowners must be supported by other stakeholders

## Session 2: Open forum

Following morning tea, Mr Hizon opened the Dialogue to comments/questions from the floor.

Following is a broad summary of some key comments from participants, and responses from the five panelists.

**RH** = Rico Hizon

**FL** = Dr. Federico Francisco Lopez-Casero

**AS** = Amir Sunarko

**MI** = Moray Isles

**TM** = Timer Manurung

**CI** = Caroline Imun

**PNG:** Has anyone here ever had any help from their government?

**Thailand:** Questions statement from TM that people in Thailand can buy illegal logs from government officials. Do you have any evidence?

**RH:** Despite all these standards/policies/measures that are in place, illegal logging figures continue to increase! Why?

**MI:** Despite the existence of laws, people are always going to circumvent them.

**FL:** International certification schemes require mutual recognition.

**Floor:** (addresses CI) Corporate Social Responsibility – what is the level of commitment to help forest people? And is it an approach that can work to help implement SFM?

**CI:** FPCD addresses social, environmental and economic concerns through certification.

**Malaysia:** Outlines his intimate knowledge of each element of the panel (ie. past, present & future employment links). Points out that the panel contains representatives from two companies that have chosen to commit to sustainability, and emphasizes that this commitment requires the collaboration of senior management, which can take a very long time. Given that it is accepted we must act fast, how on earth can this be implemented across the board and across the region? Even with the commitment, the logistics (eg. auditing) are immense.

**AS:** Recommends companies collaborate with NGOs for advice, credibility and stability. Identification to implementation can be achieved in just 3-5 years.

**MI:** Points out that merely complying fully with current standards and policies etc can go a long way towards improving a company's sustainability.

**Malaysia:** Applies the metaphor of choosing to treat cancer by cutting off your head! You have to treat problems at the source. What has Telepak done to help tackle these problems, other than merely report? How can you say that 70% or 80% of timber going from Indonesia to Malaysia is illegal? Just because it is uncertified doesn't mean



AFP Media conference featuring representatives from MOF Indonesia (Boen Purnama), TNC (David Cassells), MARD Vietnam (Hoai ), GTZ, Vietnam Timber Association (Nguyen Ton Quyen), MARD Vietnam (Tran Kim Long), DfID (Hugh Speechly), CIFOR (Frances Seymour). (Photo: Yani Saloh)

it's illegal. Sorting out certification is Indonesia's responsibility. We are just buying timber, it's up to Indonesia to sort out where it comes from.

**TM:** Malaysia always says that it's Indonesia's problem. And tries to delay. There are ongoing negotiations for an MoU between Malaysia and Indonesia, but the latest draft from Indonesia is unsigned by Malaysia. Most of the problems related to trade of illegal timber between Malaysia and Indonesia are Malaysian!

**Takeshi Toma, Japan:** Why doesn't anybody point the finger at Singapore, even though it imports large quantities of illegal timber?

**TM:** We have a report on Singapore, and yes they import large quantities of illegal timber. They also harbor criminals from Indonesia as there are no extradition agreements.

**MI:** (regarding potential for private sector to support small-scale, sustainable industries, like PNG) Yes, but it's important to link suppliers with buyers and identify an end use. The challenge for a small producer is logistics – ie. getting the supply to the buyer, often from remote locations for a reasonable price. A potential solution could be to make agreements with large-scale freight suppliers conditional to providing cost-effective solutions for remote and emerging markets.

**Tony Bartlett, Australia:** (i) Media articles are good for raising awareness, but often repeat statistics that may be inaccurate or out-of-date. (ii) How can sustainable operators encourage colleagues (or competitors) in private industry to do follow their lead?

**AS:** There are benefits (or otherwise) to be gained for all operators from an industry-wide reputation.

## Conclusion

**Dr Dicky Simorangkir**, Rare International and **Dr David Cassells**, TNC

- Markets are changing in ways that should encourage legal and sustainable forest management and trade.
- This should assist legal and sustainable producers by excluding unfair competition from illegal and unsustainable producers.
- Governments can help these processes by streamlining regulations for both community and industrial producers to reduce costs and opportunities for corruption.
- Governments should review their charges and royalty structures to provide more direct incentives for producers to adopt legal and sustainable production practices.
- Consumer and producer governments, development agencies, NGO's, and other relevant parties should work together to support accelerated capacity building for both community and commercial enterprises seeking to move towards legal and sustainable production.
- There is an immediate need for credible verification of legality to help buyers and sellers determine what is legal and what is not.

## Thank you

**Mr Hugh Speechly**, Department for International Development (DfID)

The Dialogue was concluded by Mr Speechly, who thanked all of the participants for their enthusiastic involvement, the presenters, Mr Hizon and the event organizers, making special mention of Yani Saloh from the Center for International Forestry Research (CIFOR) and the Asia Forest Partnership (AFP).



# Asia Forest Partnership

Dialogue on

## Timber Trade, Forest Law Compliance and Governance



National Convention Center, Hanoi, Vietnam  
Thursday, 24 April, 08:30-12:00 (room 313)

A pivotal event of **Asia-Pacific Forestry Week** is the Dialogue on **Timber Trade, Forest Law Compliance and Governance**, hosted by the Asia Forest Partnership (AFP).

This event will bring together leading experts and a variety of stakeholders to discuss sustainability in the trade of timber and forest products, and to develop strategies for success in an increasingly regulated environment.

It will provide a platform for participants to advance policy solutions, industry incentives and practical on-the-ground initiatives that address concerns about forest governance and legal compliance.

### Listen to Experts

**Mr. Rico Hizon**, BBC Asia Business and Finance Correspondent, will chair the Dialogue, which will focus on credible and practical outcomes for both policy makers and the timber industry. Major forestry players from across the region will examine the changes now underway in the global timber market and review their impacts.

- Introduction by **Dr. Boen Purnama**, Secretary General, Ministry of Forestry Indonesia; Chair UNFF 8 Bureau.
- "Is legal and sustainable timber production important? Who for, and why?" Presented by **Mr. Timer Manurung**, Telapak Indonesia.
- "Are timber markets changing? If so, how and what are the implications for industry, forests, people and governments?" Presented by **Dr. Federico Francisco Lopez-Casero**, Institute for Global Environmental Strategies (IGES), Japan; and **Mr. Moray Isles**, Dalhoff Larsen & Horneman (DLH), Vietnam.
- "How is the timber industry responding to changes in the global timber market and what challenges do they face?" Presented by **Mr. Amir Sunarko**, Sumalindo Lestari, Indonesia; and **Ms. Caroline Imun**, Foundation for People and Community Development (FPCD), Papua New Guinea.

### Express Your Views

These keynote presentations will be followed by an open forum, which will enable corporate, community and government participants to present their views. Hot topics are likely to include:

- Forest governance and trends affecting regional and international timber trade; sustainability and legality standards; timber procurement policies; Industry perspectives on ensuring legality of timber supplies and products; the role of the producer and the consumer in ensuring legality.

### Build Networks

The only way that an issue as important and as complex as sustainability in timber trade can be effectively addressed is if corporate, community and government all work together.

AFP's Dialogue in Hanoi will provide a unique opportunity for relevant stakeholders to network with other interested parties, share information, establish partnerships and tackle some of the key forestry issues of our time.

Co-hosted by



[www.asiaforests.org](http://www.asiaforests.org)

To introduce this event, and to set the tone for a wide-ranging and provocative dialogue, participants will be treated to a screening of **The Forest of South East Sulawesi**, winner of two categories at the 31st International Wildlife Film Festival 2008 Awards. The film documents the local community's innovative and cooperative approach to combating the illegal timber trade.

## Moderator and Speakers

### Moderator



**Mr. Rico Hizon.** Anchors BBC World's daily business and finance programme Asia Business Report, as well as the World Business Report, live from Singapore every weekday morning.

**Mr. Timer Manurung.** Has coordinated Telepak's forest campaign since 2005, after leading Yayasan Silvagama's anti illegal logging program in Jogjakarta since 2001.



### Speakers



**Dr. Federico López-Casero.** A policy researcher at IGES, Dr. López-Casero examines the policy challenges currently facing sustainable forest management in the Asia-Pacific region, in particular the obstacles to combating illegal logging in Japan.

**Ms. Caroline Imun.** FPCD is a Papua New Guinean non-government organisation that seeks to build the capacity of customary forest owners to manage and develop their forest resources, and to establish and promote models of best forestry practice.



**Mr. Amir Sunarko,** President Director of PT. Sumalindo Lestari Jaya, an Indonesia-based timber company involved in timber processing and logging activities, the operation of industrial timber plantations, as well as export, import and local trading.

### Introduction

**Dr. Boen M. Purnama.** Having joined the Ministry of Forestry in 1977, he served as Director General of Forestry and Planning from 2002-2004 and has since held the position of Secretary General. Dr. Boen also Chairs the UNFF-8 Bureau.



**Mr. Moray Isles.** Has over 21 years experience in tropical agriculture, forestry and timber trade, and has worked in over 50 countries. In 2004 Isles established the Ho Chi Minh office of DLH, the world's largest trader and producer of hardwoods.

## AFP Media Conference

Thursday, 24th April

**10:00-10:30** (during coffee/tea and network session)  
National Convention Centre Hanoi, Viet Nam (**room 313**)

Key representatives available to discuss issues ranging from policy solutions, to industry incentives, to community initiatives, will include:

- **Dr. Boen Purnama**, Secretary General, Ministry of Forestry Indonesia/Chair for the UNFF-8 Bureau.
- **Dr. David Cassells**, Director, The Nature Conservancy (TNC) Asia Pacific Forest Program & Chief of Party, Responsible Asia Forestry and Trade (RAFT).
- **Ms. Frances Seymour**, Director General, Center for International Forestry Research (CIFOR).
- **Dr. Hugh Speechly**, Coordinator: Forest Governance and Trade Programme, Department for International Development (DFID).
- Representative from Vietnamese Government or private sector (tbc).

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