



**Perkumpulan Kaoem Telapak  
Environmental Investigation Agency**

## PRES RELEASE

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### **Government of Indonesia Proposed Regulation Undermines Legal and Sustainable Timber Supply to The International Market.**

The Indonesian Government has issued a regulation to be enacted on May 27<sup>th</sup>, 2020 that will seriously undermine the credibility of its legal timber supplies to international markets. This move will violate the Indonesian guarantee to keep standards in place which effectively prevents stolen wood out of the country's supply chains.

The Indonesian government argues that the abolition of a V-legal requirement is a necessity to increase economic competitiveness and further mitigate anticipated negative impacts of the ongoing global pandemic Covid-19.

"Indonesia has been a pioneer in attempting to combat illegality within the timber sector, and recognized by the European Union through a timber legality agreement with Indonesia through a Voluntary Partnership Agreement (VPA) said Abu Meridian – Executive Director of Kaoem Telapak.

Trade data has shown that there has been a substantial increase in response to the V – legal documentation and SVLK system. Since 2013, when Indonesia and the EU signed their VPA, the SVLK has contributed exports of wood products totaling US\$ 68.37billion<sup>1</sup>.

"This proposed change in the law from the government to supposedly increase its profits by de-regulating protection of both Indonesia's forests and sustainable trade is short sighted"- said Thomas Chung Forest Campaigner from EIA.

By implementing this new regulation Indonesia is losing its unique market reputation that has been followed by other producer countries such as Vietnam a major competitor to Indonesia currently in negotiations with the EU. In addition, legislation is now in place with consuming countries such as the EU, USA, Australia, Japan, South Korea and most recently China who is revising its forest law to address illegally sourced timber.

In addition, questions are being asked on whether the V-legal requirement can simply be abandoned under the agreed terms of the VPA..

At the height of the illegal logging era in the 2000s Indonesia lost 40 trillion rupiah annually with an associated loss of forest area in the region of 2.8 million hectares per year. Since the introduction and enforcement of regulations, especially the SVLK, these numbers have been in steady decline. Despite this success, the Indonesian TLAS still needs support to improve effectiveness, as the system is still being exploited. Last year alone, the Directorate General of Law Enforcement seized 455 containers of illegal timber for example. Relaxing legality

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<sup>1</sup> According to the Ministry of Environment and Forests Timber Legality Information System (SILK).

requirements might re-incentivize the illegal logging sector further thus exacerbating the still ongoing illicit timber trade.

EIA Forest Campaigner Thomas Chung said "The Indonesian government should revoke the Regulation of the Minister of Trade Number 15 of 2020. The issuance of this Regulation of the Minister of Trade damages Indonesia's credibility in international markets does not ensure trust when agreeing to international trade agreements.

The Environmental Investigation Agency (EIA) and partners Kaoem Telapak strongly oppose the planned Ministry of Trade regulation 15/2020. . Removal of this legality verifier is directly undermining and eroding the national Timber Legality Assurance System (SVLK) which forms the backbone of the Voluntary Partnership Agreement (VPA) between Indonesia and the European Union under the Forest Law Enforcement, Governance and Trade (FLEGT) initiative.

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**Thomas Chung Editor's Note:**

Indonesia and the EU have signed a voluntary partnership agreement (VPA) under the Forest Law Enforcement, Governance and Trade scheme (FLEGT). FLEGT aims to reduce illegal logging by strengthening sustainable and legal forest management, improving governance and promoting trade in legally produced timber.

- The backbone of a VPA is a national timber legality assurance system (TLAS) which in the case of Indonesia is called SVLK. Under SVLK, V-legal documents are the verifier for legally harvested timber. This means that V-legal timber qualifies for a FLEGT export/import licence in compliance with EU law under the European Timber Regulation (EUTR).
- Based on the Corruption Eradication Commission (KPK), all wood production from state-managed forests is recorded in the Forest Product Management Information System (SIPUHH) on the Ministry of Environment and Forestry (KLHK) online website which was implemented since 2016. SIPUHH results found that:
  1. 77-81% of wood production reports are not recorded at the Ministry of Forestry.
  2. The country losses Rp 48.8-66.8 trillion per year in 2003-2014 due to unreported timber production.
  3. Rp 5.24-7.24 trillion per year of potential country losses in 2003-2014 due to the receipt of the Reforestation Fund (DR) and the Provincial Forest Resources (PSDH) that were not collected.
- Over the past two decades, Kaoem Telapak and EIA have been heavily involved in exposing illegal timber theft and trafficking and publishing reports on illegal logging of

Merbau in Papua and West Papua such as Labora Sitorus (2013) Rogue Traders (2009), and The Last Frontier (2005).

- Indonesian products that are SVLK licensed or certified provided the biggest profit in the import of EU tropical wood products in 2019, and made Indonesia to be ranked first in the European Union. FLEGT Independent Market Monitoring (FLEGTIMM) data for 2019 can be downloaded at the link <https://www.flegtimm.eu/index.php/eu-market-overview>



Figure 1. Largest gain in EU Tropical wood and wood furniture imports – 12 months to Sep-19 vs 12 months to Sep-18