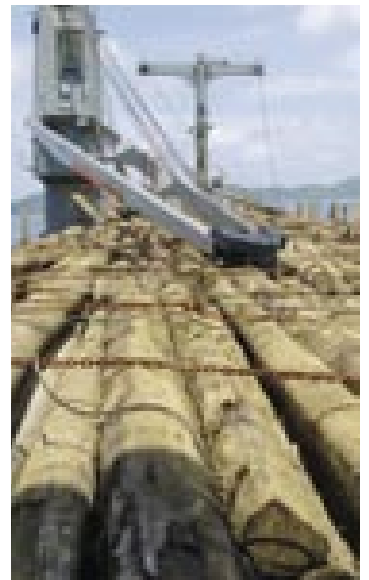


THE THOUSAND-HEADED SNAKE

FOREST CRIMES, CORRUPTION AND INJUSTICE IN INDONESIA



ACKNOWLEDGEMENTS

This document was produced with the financial assistance of the European Union. The contents are the sole responsibility of EIA/Telapak and can under no circumstances be regarded as reflecting the position of the European Union.

EIA/Telapak would like to thank the Sigrid Rausing Trust for its support of our work.

This briefing was written and edited by the Environmental Investigation Agency and Telapak. Picture research by Tom Thistlethwaite and Ridzki R. Sigit.

Designed by Revolting | www.wearerevolting.co.uk

Many thanks to Emmerson Press for the printing of this report.

Emmerson Press: +44 (0)1926 854400

Printed on recycled paper

March 2007

ISBN: 0-9540768-4-2



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OPENING STATEMENT

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An environmental crime of almost unimaginable scale continues to unfold across Indonesia. Since the late 1990s the country's forests have been ransacked, with the government acting as little more than a bystander. Vast profits have been accrued by a handful of influential timber barons, which the Indonesian justice system has totally failed to prosecute. As long as the main culprits are at liberty the illegal logging crisis in Indonesia will continue.

Since 2005 the government has taken commendable measures to reduce the incidence of illegal logging and timber smuggling. Factories in Indonesia and in timber processing centres such as Malaysia and China can no longer obtain the same volume of cheap timber stolen from Indonesia.

Yet while the impact of the enforcement actions may be wide it is still shallow. Most of the individuals caught up in the clampdown are the workers who toil at the lower levels of the illegal timber supply chain – the loggers in the forest, the truck drivers, and the captains of ships. The major timber barons remain at large. Their protectors in the upper levels of the police and military have never been pursued.

In 1999 EIA/Telapak documented the systematic theft of valuable ramin timber from Tanjung Puting National Park. The trail of evidence led to the door of the Tanjung Lingga company and its founder Abdul Rasyid. EIA/Telapak made the plight of the park a test case of the resolve of the Indonesian government to tackle illegal logging and bring those profiteers behind it to justice.

Since then governments and ministers have come and gone with the same result. The test has failed. Rasyid and officials from Tanjung Lingga have not been made to pay for their crimes.

A similar story is playing out in Papua, home to the last intact frontier forests

in the Asia-Pacific region. EIA/Telapak revealed huge timber smuggling occurring across the province in 2005, with the involvement of military and police officers. The scandal prompted a rapid response from the government – the largest enforcement operation against illegal logging yet seen in Indonesia.

The operation dramatically reduced the flow of illegal timber. Yet two years later nobody of consequence has been convicted. Out of 186 suspects named by the police, only 13 have been sentenced, with the longest jail term just two years. The timber barons have evaded justice again.

Analysis of the outcome of the enforcement operation throws into stark relief the abject failure of the judicial system in Indonesia. The hard work of field enforcement officers is being squandered by inept police investigations and questionable verdicts by the courts.

The efforts of the President and Forestry Minister to tackle illegal logging deserve recognition and support. Yet as long as the justice system fails to deal with the timber barons and corrupt officers these efforts are doomed to failure.

Forest crimes in Indonesia involve complex relationships between a number of interconnected participants – timber tycoons, military and police officers, corrupt government officials and politicians, the judiciary and international smuggling syndicates.

The structure is akin to a hydra – a many headed serpent. Cut one head off and another appears. Field enforcement merely tackles the most visible elements. Until the problem is tackled at its roots – the untouchable timber barons – the threat to Indonesia's forests will remain.

EIA / Telapak

March 2007



THE SCENE OF THE CRIME

ABOVE:
Gunung Leuser National Park – illegal logging is occurring in 37 out of 41 protected parks in Indonesia.

Since the late 1990s Indonesia's precious rainforests have suffered one of the biggest environmental crimes the world has ever witnessed. From Aceh to Papua, forests across the sprawling archipelago have been systematically pillaged by rampant illegal logging on an unprecedented scale.

Powerful timber bosses, aided and abetted by corrupt police, military and government officials, have cut a huge swathe through the heart of the nation's forest, leaving in their wake a trail of devastation. The vast proceeds from this systematic theft have largely flown out of Indonesia, funding the extravagant lifestyles of the timber barons and the international syndicates profiting from the insatiable demand for stolen wood.

At the height of the looting Indonesia's illegal logging rate reached an appalling 80 per cent, spelling catastrophe for the country's forests.⁽¹⁾ Forest loss reached 2.8 million hectares a year, the worst in the world, with satellite images showing 60 million hectares of forests in a severely damaged state.⁽²⁾

A United Nations (UN) report issued in February 2007 found the destruction to be even worse than previously estimated. In 2002 the UN predicted that the lowland forests of Sumatra and Borneo, vital habitat for the critically endangered orangutan, would be lost by 2032. Five years later researchers found that forest loss had accelerated, leading to a dire warning that these forests would be virtually wiped out by 2022.

Commenting on the report Achim Steiner, UN under-secretary general, said: "Illegal logging is destroying the livelihood

of many local people dependent upon the forests while it is also draining the natural wealth of Indonesian forest resources by unsustainable practices. The logging at these scales is not done by individual impoverished people, but by well-organised elusive commercial networks."⁽³⁾

The illegal logging epidemic has affected virtually all of the country's forests, with vital water catchments, supposedly off limits to economic exploitation, and protected national parks, which are invaluable stores for biodiversity, being invaded. The UN report found illegal logging taking place in 37 out of 41 national parks.

Such wanton destruction has been blamed for a series of ecological disasters, such as floods and landslides, and further threatening a host of endangered species. It also has a high cost in human terms – traditional livelihoods of forest-dwelling communities are lost forever, and a culture of corruption and violence perpetrated by the powerful interests behind the logging.

By 2004 the looting had spread to Indonesia's easternmost province of Papua. Having stripped most of the valuable timber from the rest of the country, the logging gangs were targeting the last intact frontier forests left in Indonesia and the Asia-Pacific region. A report released by EIA/Telapak in early 2005 detailed the massive smuggling of 300 000 cubic metres a month of valuable merbau timber out of Papua. The brazen theft involved up to 20 cargo vessels a month ferrying stolen logs to China and India, with the connivance of police and military officers and the involvement of transnational crime syndicates.⁽⁴⁾



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After years of procrastination and half-measures the scandal unfolding in Papua finally prompted a resolute response from the Indonesian government. President Susilo Bambang Yudhoyono launched an unprecedented enforcement operation, despatching 1,500 police, military and forestry officers to Papua. The clampdown, termed *Operasi Hutan Lestari II (OHLII)*, rapidly staunched the flow of illegal logs and halted most of the logging operations across the province. OHL II seemed to mark a new phase in the battle to save Indonesia's forests, with President Yudhoyono stating: "I, all of us, must declare war against illegal logging. Anyone involved in illegal logging, anyone, must be severely punished. Our patience has run out. Our environment is destroyed, our economy is suffering."⁽⁵⁾

Yet despite the government's stated intention to go after the main timber barons and corrupt officials, the results have been profoundly disappointing. Many were tipped off in advance and fled overseas. Those that were apprehended walked out of court free, released by Indonesia's notoriously corrupt judicial system.

By November the courts had acquitted 21 of the most important suspects captured under OHL II, prompting Minister of Forestry Malam Sambat Kaban to state: "...the evidence to incriminate them is already clear. I suspect that behind the rulings there has been something that is in conflict with the legal norms."⁽⁶⁾

Illegal logging in Indonesia represents a huge crime of breathtaking scale and audacity. The government has estimated



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that it costs the nation up to US\$4 billion a year.⁽⁷⁾ This is around five times the annual budget for the Department of Health. During the first half of this decade, while Indonesia was trying to recover from the economic crisis of the 1990s, illegal logging has robbed the government of US\$20 billion and an incalculable cost in terms of destroyed forests and local livelihoods.

With a few isolated exceptions, the main culprits behind this crime remain untouched. No major timber barons have been made to pay. No senior military or police officers have been arrested. The vast majority of those convicted for illegal logging offences are either low down the chain – truck drivers, chainsaw operators – or foreigners who make convenient scapegoats. The power structure behind illegal logging remains intact. While the recent enforcement operations have succeeded in reducing the flow of illegal timber, as long as the timber barons remain at large the battle is far from won. Disturbingly, recent EIA/Telapak investigations indicate that illegal logging is on the rise again.

ABOVE (top left and bottom right): Destroyed forest, Kalimantan, Indonesia.

ABOVE (top right): Forest loss threatens the survival of orangutans.



THE CASE FOR THE PROSECUTION

ABOVE:
Indonesian Forestry Minister Malam Sambat Kaban.

MANY EFFORTS, FEW RESULTS

Since launching the enforcement operation in Papua the Indonesian government has repeatedly stated its intention to eradicate illegal logging throughout the country by capturing the major criminals profiting from the forest plunder. To achieve this goal it has armed itself with new inter-agency cooperation mechanisms and has attempted to utilise general laws against money-laundering and corruption to snare the powerful crooks.

Such an approach implicitly recognises the fundamental weaknesses of the prevailing forestry law. This law is restricted to *locus delicti* offences committed either in the forest or during the transportation. While imposing potentially high maximum penalties of up to 10 years for illegal cutting and transport of timber without the correct documents, the law is manifestly unsuited to prosecuting the real beneficiaries of the illegal logging racket – the financiers who fund the logging, the brokers who charter the ships to smuggle timber overseas, and the corrupt officials who turn a blind eye.

This problem was recognised by the previous Minister of Forestry, Muhammad Prakosa. After waging an unsuccessful battle against the timber bosses he attempted to persuade the government of then President Megawati Sukarnoputri to issue an emergency law,

or *perpu*, to provide the powers needed to attack the problem at its roots. Elements of the *perpu* included setting minimum rather than maximum sentences for illegal logging crimes, the right to freeze bank accounts and tap the phones of suspects, creation of special ad hoc courts and placing the onus on suspects to prove that their wealth was not derived from illegal logging.⁽⁸⁾

Unfortunately the inclusion of the death penalty for illegal logging financiers undermined the more sensible and necessary elements of the *perpu*, which ultimately failed to win the required unanimous support from the Indonesian cabinet of ministers. Upon assuming the office of Minister of Forestry in October 2004, Kaban stated his conviction that an emergency law was not required: “Before issuing the *perpu*, we will look for other alternatives that are more appropriate. In my opinion, illegal logging could be prevented through consolidation and coordination between the Forestry Ministry, the police, the Attorney General’s Office and the courts,” he said.⁽⁹⁾

Some of the provisions contained in the *perpu*, such as minimum sentences, have now resurfaced in a new draft law on illegal logging submitted by the government to the Indonesian Parliament. A main aspect of the draft law is the establishment of a specialised

agency to take on the timber barons.⁽¹⁰⁾

Instead of turning to emergency powers the government has attempted to utilise recent laws against money laundering and corruption to make up for the failings of the forestry law. Under an anti-money laundering law issued in 2003 the Indonesian government made forestry and environmental crimes predicate offences. Subsequently the Ministry of Forestry signed a cooperation agreement with the financial intelligence unit, or Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK), raising hopes that by following the money trail the timber bosses could be brought to justice.

The PPATK has taken great strides in exposing the flows of money derived from crimes both within Indonesia and to other countries. It has even developed 15 cases involving police officers. Yet its efforts have been hampered by a lack of investigative authority, meaning that after identifying suspicious transactions it must forward the cases to the police for further investigation and cannot file cases directly with the Attorney General's Office. To date nobody has been convicted of money laundering in connection with illegal logging.

Initial optimism that the campaign against corruption launched by the President upon taking office in 2004 would lead to successful prosecution of the police, military and government officials involved in illegal logging has also faded. The Indonesian anti-corruption commission or Komisi Pemberantasan Korupsi (KPK) with its dedicated team and special court has won some notable victories, but has yet to successfully prosecute a single case involving illegal logging.

Trade measures have been put in place to curb the smuggling of unprocessed timber. In September 2001 the Indonesian government banned the export of round logs, and in October 2004 exports of rough sawn wood were also outlawed. The sawn timber ban was strengthened by the current government in February 2006. Despite proving useful as an enforcement tool, the bans have no legal force outside Indonesia.

Another strategy has been to compel various agencies to work together to tackle the problem of illegal logging. In March 2005 President Yudhoyono issued a Presidential Instruction on Eradication of Illegal Logging to 18 government agencies. The effort is coordinated by the Minister for Political, Law and Security Affairs, and involves the ministries of forestry, defence, law and human rights, finance, the heads of police, military and intelligence, and regional governors. Progress reports must be made to the President every three months.⁽¹¹⁾

The so-called Inpres has yielded promising results in terms of field enforcement, with



several provinces where timber theft is rife setting up local task forces. During field visits to key logging and timber processing locations EIA/Telapak has witnessed encouraging signs that the coordinated attack has forced some of the illegal loggers on to the defensive. In Riau Province many traders had left the business, while in the main timber industry centre of Surabaya around half of the factories were idle due to problems securing raw supplies. Countries in the region which have come to rely on cheap timber stolen from Indonesia to supply their wood factories, notably China and Malaysia, have also been affected by the clampdown.

Yet while the progress in terms of the volume of timber and equipment seized is impressive, once again the powerful interests behind the logging are virtually unscathed. The fundamental problem is that despite sincere commitments and intentions, the Inpres is dependant on some of the most corrupt institutions in Indonesia for its success – notably the police, prosecutors, and judiciary.

The President himself clearly recognises the threat posed by a corrupt judiciary and has even asked the public to monitor court cases involving illegal logging: "I have observed that legal enforcers have imposed very light sentences on those committing illegal logging. The government or the President has no right to interfere in the legal process, but I ask the people to control legal proceedings against those criminals," he said.⁽¹²⁾

ABOVE:
Anti-illegal logging field operation, Tanjung Puting National Park.



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ABOVE (top to bottom):
Attorney General's Office - few successful prosecutions of timber bosses.

Asmar - police officer and timber smuggler.

WHO WATCHES THE WATCHMEN?

The systemic corruption in Indonesia's judicial system has been well documented. In 2002 the United Nations Special Rapporteur on the Independence of Judges and Lawyers paid a visit to Indonesia and was shocked at what he found. Dato Param Cumaraswamy said: "I didn't realise that the situation could be as bad as what I've seen. It is something I feel should never have been allowed to come to this extent."⁽¹³⁾

Such a dire prognosis is consistent with the findings of a landmark study carried by Indonesia Corruption Watch (ICW) in the same year. ICW found that "the court is no longer a place to earn justice, it is a justice market." It revealed corruption embedded at every stage - from the initial police investigation through the prosecution to the final court verdict.⁽¹⁴⁾

THE POLICE:

Suspects can pay the police to halt the investigation, a process known as "86" and which leads to the issuing of an SP3 (Surat Penghentian Penyidikan Perkara) notice to terminate the case.

This method was used in the notorious three ships case of November 2001. After the cargo vessels Mandarin Sea, Rong Cheng and Fonwa Star, were intercepted by the navy off the coast of Central Kalimantan carrying 25 000 cubic metres of logs, a document trail clearly linked the smuggling attempt to companies connected to the Tanjung

Lingga Group, headed by infamous timber baron Abdul Rasyid. The documents showed the vessels were bound for China, a blatant violation of Indonesia's log export ban.⁽¹⁵⁾

The Ministry of Forestry worked with the navy to ensure that the captured ships were brought to Jakarta, so that the case could be pursued beyond Rasyid's centre of influence in Pangkalanbun. Yet it soon became clear that the national police in Jakarta could just as easily be influenced. After a perfunctory investigation the police team, led by Brigadier General Suyitno Landung, issued an SP3 letter ending the investigation into the charge of illegal transport of timber, potentially carrying a ten-year sentence. Suyitno absurdly argued that as the vessels were still loading when apprehended, the timber on board had not actually been transported.

Justice finally caught up with Suyitno in October 2006, when he was sentenced to an 18-month jail term for receiving a vehicle worth US\$27 000 from a businessman involved in the US\$120 million BNI bank fraud.⁽¹⁶⁾

The police can also take bribes to manipulate or drop the investigation. In a newspaper interview the chairman of the PPAATK, Yunus Husein, revealed his frustrations with the way in which the police carried out follow-up investigations into suspicious transactions: "We don't have control over the information once it is turned over to the police or the prosecutor's office. For example, we had over 100 cases in Aceh where private accounts

were used to keep state money, and we reported the five biggest accounts to the police. But instead of investigating the cases, the police extorted money from the people mentioned in the report.”⁽¹⁷⁾

In addition to adversely influencing investigations, police officers are also directly involved in illegal logging operations. In March 2006 EIA/Telapak investigators probing timber smuggling in the Sumatran province of Riau came across a senior local police officer called Asmar. He explained how he had formerly been the police chief of Gaung, a notorious illegal logging hotspot, and was now a second lieutenant based in the provincial capital of Pekanbaru. He claimed to have been in the police for 19 years and in the timber business for seven years, and told the undercover investigators: “I think it’s better if you know who I am. I’m a law officer, I’m a policeman. Beside a policeman, I am also a businessman.”⁽¹⁸⁾

He and his two partners run a fleet of 12 boats smuggling timber to Malaysia and Singapore, and he offered to both secure timber from the Gaung region and to arrange shipment across the Melaka Straits. Asmar also spoke of his ability to guarantee that his clients were successful in bidding at auction for timber seized by the police, claiming that 8,000 cubic metres of kempas timber about to be auctioned would be bought by his partner in Batam.

A senior police officer in Jakarta blamed corrupt police for the disappointing amount of revenue raised through the auction of logs seized during OHL II: “We found evidence that organisers set up the auctions to enable selected buyers who were the previous owners of the illegal timber, or their accomplices, to buy back the logs,” Brigadier General Suharto explained.⁽¹⁹⁾



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THE PROSECUTORS:

State prosecutors play a central role in deciding whether a suspect should face trial, what the charges should be and writing the indictment upon which the case will be judged. There are a number of methods used by prosecutors to ensure the right outcome for those willing to pay the requested fee:

- **Deliberately prolonging the preparation of the case by repeatedly returning it to the police (the P19 process) until it is quietly dropped. In 2004 the police claimed to have handled 962 illegal logging cases, but by March 2005 only 130 of these had made it through the prosecutors’ office, with the rest still being processed or handed back to the police.**⁽²⁰⁾
- **Using a “stuntman” to face the charges and so protect the real culprit.**

In the three ships case the prosecutors pursued Rachmat Nasution for illegal possession of timber, despite the fact that he did not become director of the company involved until after the ships had been seized. He was promised payment to take the fall for Tanjung Lingga

- **Deliberately failing to prepare a strong case. In the case of Marthen Renouw, a police officer charged with accepting bribes, the prosecutor failed to expose the illegal logging activities of the individuals making the payments.**
- **Delaying the appeal. In the Renouw case the prosecutor failed to register an appeal to a higher court within the specified period of two weeks, causing the appeal to be denied.**

ABOVE (top to bottom):
National Police Chief of Detective Suyitno Landung – guilty of corruption.
Suyitno intervened to stop investigation of the Fonwa Star case.



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ABOVE (top to bottom):
 Probosutedjo - guilty of stealing
 US\$10 million of reforestation funds.

Probosutedjo claimed to have paid
 US\$650 000 to overturn the verdict at
 the Supreme Court.

THE JUDGES:

If a case does finally make its way through the hands of the prosecutors and to court, the defendants can still influence the final verdict. In Indonesia there is no jury system, so securing the “right” judge is important and can be done with an appropriate payment to the “fixers” who are found around the court. Once the judge is appointed, efforts can be made to buy the required verdict.

Examples of dubious verdicts in forestry cases abound. In 2001 a plantation manager in Riau was sentenced to two years in prison and a fine of Rp 250 million (US\$27 000) for burning almost 3,000 hectares of forest land. Yet on appeal the defendant’s sentence was reduced to just eight months. In the same area a local resident was sentenced to two years for burning just two hectares.

Speaking on the case, Bambang Hero Saharjo, Head of the Forest Fires Laboratory at Bogor Institute of Agriculture, said: “The problem is those people behind the scenes, whether they are members of the police, prosecutors or judges... quite a few of them look at such cases – especially those involving companies – as sources of income.”⁽²¹⁾

After a series of acquittals in major illegal logging cases, Forestry Minister Kaban asked for a judicial review when defendant Prasetyo Gow (aka Asong) was acquitted by judges in Pontianak, West Kalimantan. Gow had been arrested for having over 13 000 cubic metres of timber loaded on two

vessels without the legal documentation. Prosecutors asked for a four-year sentence but Gow was acquitted of all charges by the judges. Upon hearing the verdict Kaban said: “I suspect foul play. I suspect they have deviated from the law.”⁽²²⁾

In response Judge Ariwangsa stated the reason for his not-guilty verdict: “Legally he was not guilty because the ship had not sailed at the time of his arrest”. The judge admitted that the defendant did not have the required documents in his possession at the time the timber was loaded – a clear offence under the forestry law.⁽²³⁾

Such capricious judgments have clearly infuriated Minister Kaban, who sees efforts to tackle illegal logging being critically undermined. At a political rally he said: “Judges are harsh to punish drivers or sawmill labourers but they are not able to bang their gavels down on illegal logging financiers. Maybe their gavels are made of illegal logs.”⁽²⁴⁾

The corruption inherent in Indonesia’s judiciary reaches to the very top. In 2003 Probosutedjo, half-brother of former dictator Suharto, was found guilty by a Jakarta court of misusing Rp 100 billion (US\$10.8 million) of reforestation funds and sentenced to four years in jail. After a series of appeals the Supreme Court upheld the sentence, prompting Probosutedjo to claim he had spent Rp 16 billion (US\$1.7 million) trying to overturn the verdict, of which six billion (US\$648 000) was used to try and buy acquittal from the Supreme Court, Indonesia’s highest judicial authority.⁽²⁵⁾

THE RENOOW CASE – A HOME TOWN VERDICT

The case of Police Commissioner Marthen Renouw epitomises the failure of the judicial system to convict influential defendants. Renouw worked as a police officer in Papua for 29 years and steadily built up a position of power stretching from the capital Jayapura to Sorong, the main centre for the illegal logging business in the province. In April 2005 he was arrested in Papua during OHL II and transferred to Jakarta for questioning to avoid local interference in the case, a tacit admission of his influence in the province.

As part of the investigation the PPATK detected a series of suspicious transactions involving five bank accounts held by Renouw. The evidence was passed to the police to follow up but only one account was scrutinised, held at the Bank Nasional Indonesia (BNI) branch in Jayapura. Analysis revealed 16 suspicious transfers into the account during the period September 2002 to December 2003. The payments totalled Rp 1.06 billion (US\$120 000).

The money came from people linked to two companies carrying out illegal logging in the Bintuni area of western Papua – notably Wong Si King, boss of PT Marindo Utama Jaya and Yudi Firmansyah, director of the subsidiary company PT Sanjaya Makmur. In January 2004 the firms' operation in Bintuni was raided by the authorities. Over 15 000 cubic metres of illegal merbau logs were seized and 15 Malaysians arrested, but Wong and Firmansyah escaped.⁽²⁶⁾

It seemed to be an open and shut case. Renouw had received money from an

illegal logging syndicate, the payments coincided with the period of the syndicates activities, and Renouw was supposedly leading operations against timber theft in the Bintuni area at the time. Armed with such overwhelming evidence, the Attorney General's Office charged Renouw under anti-corruption and anti-money laundering laws. He was brought to trial in November 2006 in his power base of Jayapura, with the prosecution asking for a sentence of three years in jail and a fine of Rp 50 million (US\$5,400 - just five per cent of the funds Renouw was alleged to have received for his corrupt activities).

In his defence Renouw claimed the funds had been sent by "friends" as a loan to pay for anti-illegal logging operations. Despite such an implausible explanation he was acquitted of all charges. The judges said that as the key witness, Firmansyah, who was on the run, had not appeared in court the case could not be proven. Legal experts claimed that the evidence was strong enough for a conviction even without testimony from Firmansyah.⁽²⁷⁾

The Renouw case clearly demonstrates the myriad ways the judicial system has of letting influential suspects off the hook. The police investigation failed to look into Renouw's other accounts, and did nothing to gather evidence on Renouw's assets – properties in Jakarta, Bali (worth US\$160 000) and investments in a series of businesses. The prosecutors drafted a weak indictment, and finally the judges used the loophole of an absent witness to let Renouw walk free. Even the appeal

against the verdict was late and declined by a higher court.

The reason for Renouw's acquittal is best summed up by Fadal Alhamid, Deputy Secretary of the Papuan Traditional Council: "He wields great influence in Papua, and he's got money."



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ABOVE (top to bottom):

Marindo's illegal logging operation in Bintuni.

LEFT:

BNI branch Jayapura - Renouw's account received US\$120 000 from timber thieves.



© Conservation International Indonesia

ABOVE:
400 000 cubic metres of timber was seized during OHL II.

OPERATION HUTAN LESTARI – A WASTED OPPORTUNITY

The launch of Operasi Hutan Lestari II in March 2005 appeared to mark a decisive phase in the fight against illegal logging. The scale was unprecedented – 1,500 personnel, with a budget of Rp 12 billion (US\$1.3 million) – and for the first time the government declared its intent to break up the powerful network behind the havoc being wrought in Papua’s forests by going after the financiers and their protectors in the police and military.

At the end of the operation in May 2005 initial results appeared impressive. The enforcement team had seized almost 400 000 cubic metres of timber – equivalent to three per cent of the total amount of tropical logs traded around the world annually – and confiscated hundreds of bulldozers, ships and barges. The operation sent shock waves through the global timber industry. Prices for merbau logs in Surabaya rose sharply from US\$120 per cubic metre in November 2004 to US\$320 in June 2005. In Shanghai, the world’s biggest market for stolen merbau from Papua, log prices doubled in six months, reaching over US\$500.

The operation undeniably staunched the flow of stolen timber out of Papua. But when the results of the prosecution of the suspects identified during OHL II are analysed, the effectiveness and impact on the logging syndicates begins to unravel.

Of the 186 suspects named by police, 172 were Indonesian, 13 Malaysian, and one Korean. The list included individuals from every stage of the logging process – ship captains, truck drivers, local community loggers, regional forestry officials, base camp managers, low and mid-ranking police and military officers, and even bosses from some of the main companies involved in logging in Papua. The police officer in charge of OHL II, Commissioner General Ismerda Lebang, declared: “We had better results than with previous operations. Most of the suspects this time are financial backers, not just operators or small-scale illegal loggers.”⁽²⁸⁾

By April observers were pointing out that the vast majority of suspects rounded up during OHL II were small-time players, and that no senior military or police officers had been arrested.⁽²⁹⁾ Over a year after the end of OHL II, the courts in Papua had exonerated all 18 of the major cases which reached the trial stage. This prompted General Sutanto, the National Police Chief, to vent his frustration. “We are very disappointed about what has happened in Papua. We initially hoped courts would hand down severe punishments to the offenders. Tough sentences would set an example to future violators,” he said.⁽³⁰⁾

Among the controversial acquittals handed down by judges are:

- **Tang Tung Kwong. General Manager of Wapoga Mutiara Industries. Accused of receiving almost 2,000 illegal logs. Charged under the forestry law 41/1999. Prosecution asked for a sentence of six years in prison. Verdict: Judges Hanung Iskander, Maryono and Andi Infaidan cleared the defendant of criminal charges.**
- **Tan Eng Kwee. General Manager of Wapoga Mutiara Timber. Charged with receiving illegal logs. The prosecution asked for a seven-year jail sentence and a Rp 1 billion fine (US\$108 000). He was found guilty under forestry law, but the judges ruled he had not broken criminal law.**
- **Andi Rasid. Accused of timber smuggling from Papua. Prosecution asked for eight year sentence. Verdict: Judges FX Sugiarto, Majedi and Deny Sugiarto acquitted Rasid, prompting Minister Kaban to refer the case to Indonesia's Judicial Commission.**

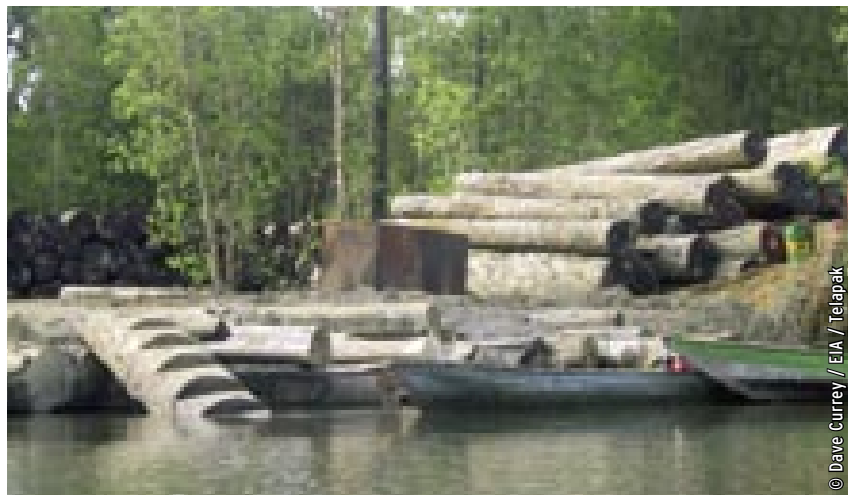
By January 2007 only 13 convictions had been secured, and the longest jail term handed out was just two years.⁽³¹⁾ No major financiers, timber bosses or police and military officers were sent to jail. As usual those lower down the logging chain bore the brunt of the operation.

Key suspects identified by EIA/Telapak have also evaded justice. The military police officer, Kaspar Ohoiwirin, implicated in illegal timber felling on the lands of the Knasimos people, was identified as a suspect during OHL II but never faced trial. The major log trader and smuggler Heng Ijat Hong (Ahong) has never even been questioned let alone arrested.⁽³²⁾

The main lesson from OHL II is a salutary warning to those who think the present judicial system in Indonesia is capable of catching the timber barons – bitter experience shows that it is clearly not fit for this purpose.

Furthermore there is growing evidence of widespread corruption in the auctioning of timber seized during the operation. A senior police official at headquarters in Jakarta admitted that auctions had raised just Rp 40 billion (US\$4 million) rather than the target of Rp 2 trillion (US\$220 million), mostly due to police involvement in rigging the sales.⁽¹⁹⁾ Such corruption led local residents to refer to the police involved in OHL II as “coming with M-16s and leaving with 16-Ms” (meaning millions of dollars).

Ultimately the operation failed in its stated aim to break up the power structure behind illegal logging in Papua. Even the few



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financiers and mid-ranking enforcement officers named as suspects are not the real power brokers. The reach of the syndicates extends to high levels of the military, police and politicians in Jakarta. Yet these links have never been probed. The individuals are simply too powerful.

For instance, in February 2005 Hong Kong-based timber trader Shelman Siu, heavily involved in smuggling merbau logs from Papua to China, told undercover investigators from EIA/Telapak of his plans to forge new connections with the Indonesian military to protect his business. In an email he wrote:

“At this moment, I have buyers from Zhangjiagang and Shanghai will join with me and working on a new connection channel which is good relation link up with important Army head.”*(sic)*

Recent intelligence indicates that the timber syndicates are regrouping. Many local communities in Papua are reporting a steady rise in illegal logging on their lands. Investigations by EIA/Telapak show that while few smugglers are willing to attempt to take shiploads of logs out of Papua, merbau is being illegally exported concealed in containers. Despite OHL II the threat to Papua's forests remains.

ABOVE (top to bottom):
Illegal logging has robbed Papuan communities of resources.



Source: Private

ABOVE:
CV Lido warehouse - Illegal merbau
timber awaiting shipment to China.

MERBAU SMUGGLING – BACK IN BUSINESS

In November 2005 EIA/Telapak investigators in Guangzhou, southern China, found many timber traders priced out of the merbau market and unable to get supplies from Indonesia. Instead they had turned to buying merbau logs from Papua New Guinea and replacement species from Africa.

But by early 2006 warning signs began emerging of renewed flows of illegal Indonesian merbau reaching the international market, as smugglers shifted to new methods and routes. Rather than shipping round logs from Papua as before, syndicates were reportedly smuggling sawn merbau and square logs (flitches) in shipping containers to China and India.

In November 2006 EIA/Telapak investigators set out to document these new smuggling patterns and to gauge whether merbau smuggling from Papua is becoming resurgent. The investigation centred on Surabaya, Indonesia's largest port and a major timber processing centre, and Singapore, where many of the middlemen and traders involved in procuring illegal Indonesian timber and moving it onto international markets are based.

In Surabaya EIA/Telapak investigators posing as timber buyers met with Riki Sumandi, director of the company CV Lido. He revealed that CV Lido operates in conjunction with several other companies in Surabaya, forming an integrated group capable of sourcing merbau logs from Papua, sawing the timber at a number of locations in Surabaya, and bribing customs to ship containerised merbau to China.

Sumandi took the EIA/Telapak investigators to the industrial area of Gresik, near Surabaya, where they were introduced to Ricky Gunawan, director of Surabaya Exhibition and Trade Service and Sumandi's business partner. Almost immediately Gunawan boasted of his ability to break the law and to supply illegal merbau at low risk due to his connections. He claimed to ship up to three thousand cubic metres of air-dried rough sawn merbau to China every month. After sawing the logs in Gresik, he explained how the wood was loaded into containers at five different warehouses in the area and shipped to the Chinese ports of Shanghai, Huangpu, Shenzhen, Guangzhou and Shantou. Around 50 containers a month were being delivered, with Gunawan dealing with two main buyers – one Singaporean and one from Hong Kong.

Connections in the Surabaya port customs office ensure the flow of merbau is unhindered. Sumandi related how exports had been temporarily halted in August 2006 after a contact in customs warned of spot checks in the port. "We have supplied for one and a half years. Only two weeks, we don't supply them. It's because of the checking by central government. But they won't be long because (customs) need money also... all the people still need money. It goes up to the top."

During the meeting the investigators were shown around a log yard owned by the company Primazeta Mandiri, where the syndicate's logs were being stored. Finally the EIA/Telapak team was taken a

short distance away to one of Gunawan's warehouses, where large quantities of sawn merbau was stacked awaiting loading into containers and shipment to China.

It is intriguing that the Lido network claimed to have been operating for around 18 months, meaning that it started up as OHL II was winding down. If the one syndicate EIA/Telapak uncovered is capable of shipping three thousand cubic metres a month, the total volume of merbau being smuggled out of Surabaya is significant and could well be reaching tens of thousands of cubic metres a month, concealed in hundreds of shipping containers and waved through by corrupt customs officers.

In Singapore, a hub for regional timber trade, the EIA/Telapak investigators obtained evidence of a new smuggling route involving barges carrying merbau from Papua to Malaysia, with the timber being transhipped en route and ultimately feeding sawmills in the west of the country.

A meeting was arranged with the company SPB Cons Marine & Imports Exports, one of several firms in Singapore identified as offering merbau square logs and sawn timber of unknown origin. The director of the firm, "Prince" Santhana Krishnan Elavarasan, had just arrived back in Singapore after travelling to his sawmill in Port Klang, Malaysia, where he had been showing prospective buyers a newly-arrived consignment of two thousand cubic metres of merbau logs smuggled from Papua. He said that for the month of November he expected to receive five thousand cubic metres of merbau stolen from Papua.

Elavarasan explained how barges left Papua laden with merbau and with a false destination in Kalimantan, Indonesia. The vessels then divert to Sarawak or Sabah in

Malaysia and the consignment is stamped as origin Malaysia. The logs are unloaded at the port of Kuantan, on the east coast of Peninsular Malaysia, and then moved by truck to sawmills on the west coast.

He revealed that he did not deal with sourcing the logs from Papua, but relied on close contacts with the connections to bring the merbau safely to Malaysia. Later on he spoke of four key individuals in Malaysia who could do this.

During the conversation he confirmed that Malaysian firms offering merbau were getting most of their supplies from Indonesia, even though the logs were marked with white stickers, indicating Malaysian origin, when the vessels reached the country.

He said: "Still people bringing in from Indonesia. Now, I'm taking the main supplier because they have good connections in Indonesia... this merbau is from Indonesia, but say the local origin is from Malaysia because illegal logs."

The meetings in Surabaya and Singapore confirm that illegal merbau is once again flowing out of Papua, using different smuggling methods and routes. Although the scale is less than the huge amounts being shipped out in 2004, the level of smuggling is rising.

Efforts to combat merbau smuggling could be improved dramatically by Indonesia listing the species on Appendix III of the Convention on International Trade in Endangered Species (CITES). Such a move would allow unlicensed shipments of merbau to be seized in foreign ports. Indonesia agreed to such a move in mid-2005 and won support from key countries including China. Inexplicably the Indonesian government has failed to implement such a listing.

BELOW (left to right):
Singapore timber trader "Prince" deals in merbau logs stolen from Papua.

China remains the main market for merbau smuggled from Indonesia.





© Sam Lawson / EIA / Telepak

ABOVE:
Enforcement usually fails to catch the real culprits.

THE UNTOUCHABLE TIMBER BARONS

With chronic problems throughout Indonesia's justice system, it comes as no surprise that the major timber barons, responsible for massive forest crimes, have never been apprehended, let alone put on trial. They are simply too well connected and rich – attributes that put them literally above the law.

Since the first list of wanted timber barons was published in 2000, presidents, ministers, and heads of police have come and gone with the same depressing results – a handful of minor prosecutions. The story of the hunt for Indonesia's biggest timber criminals is one of abject failure by the country's enforcement agencies and judicial system.

The first individual to try and tackle the barons was Suropto, then Secretary-General of the Ministry of Forestry. In October 2000 he published a list of 14 syndicates, featuring 18 individuals, which he claimed were the leading bosses of illegal logging in the country.⁽³³⁾ The list covered those involved in timber theft from Sumatra to Papua and was passed to the Attorney General's Office. By the time Suropto was ousted from the ministry the following year none of the targets had been caught, although by the end of 2001 a three month in absentia sentence has been passed on one of the barons, Ali Jambi, and a senior forestry official from Papua, Marthen Rumadas, had been removed from his position.⁽³⁴⁾

The case of Rumadas is especially interesting as it shows the total lack of consistency in Indonesian law enforcement. At the time of appearing on Suropto's list Rumadas was a senior local forestry official in Sorong, Papua, and was accused of coordinating timber smuggling from west Papua. Shortly after

being questioned by police in Sorong in May 2001 he was summoned by the Minister of Forestry and removed from his position as head of the local forestry office.

By 2005 Rumadas had allied himself with powerful forces involved in creating the new province of Irian Jaya Barat, and was busy building a power base in the capital Manokwari. By the time he was arrested under OHL II in March he had become head of the forestry office for Irian Jaya Barat. He was reported to have been found guilty of timber permit violations and sentenced to six months in jail, but was immediately released on the bizarre basis that as his trial had lasted six months he did not have to serve his sentence, despite not having been detained during the trial. After walking free from court he began distributing tee-shirts around Manokwari with the slogan "Victim of OHL II". He even rose to the position of Regional Secretary (Sekda), effectively becoming the most powerful individual in the province while the election process for the governorship was underway.

Soon after becoming Minister of Forestry in October 2004 Kaban reportedly sent a list of 19 names of the major timber barons to the Attorney General's Office, and by February 2005 the list had grown to 59 names and had been sent to the police as well. Minister Kaban told a parliamentary committee: "We have reported the businessmen to the two institutions but there has been no response yet".⁽³⁵⁾ By September 2006 nobody on the list had been arrested.⁽³⁶⁾

Many of the names on Kaban's first list also featured as Suropto's main targets. In November 2004 the national police gave an update on the progress in catching the suspects.⁽³⁷⁾

STATUS OF WANTED TIMBER CRIMINALS NOVEMBER 2004

James Tan (aka Acan)	Illegal logging in Gunung Leuser National Park	Case dropped due to lack of evidence
Abdul Rasyid	Involved in illegal logging of Tanjung Puting National Park	Case dropped due to lack of evidence
Ali Jambi	Smuggling of timber from Riau, Sumatra to Malaysia and Singapore	Fugitive, three months sentence passed by court in 2001
Aweng	Smuggling timber from Riau	Whereabouts unknown
Chris Chandra	Illegal logging in East Kalimantan	Probationary sentence
Halim	Timber smuggling from South Sumatra to Malaysia	Cleared by the court
Marthen Rumadas	Timber smuggling from Papua	Probationary sentence
Ramli Ompong	Illegal logging in East Kalimantan	Case dropped due to lack of evidence
Tanoto Santoso	Illegal logging in Sumatra	Six-month prison sentence
Sundono Salim	Illegal timber broker	Whereabouts unknown
Eddy Sutaryo	Falsifying timber documents	Probationary sentence
Yongkie	Timber smuggling from Papua	Whereabouts unknown



Other reports put the number of names on the list of top timber barons at 50, but it hardly matters. No matter how short or how long the list those on it seem able to evade capture with ease. Although many on the list have moved their money overseas and set up businesses in the neighbouring safe haven of Singapore, they frequently return to Indonesia to keep a watch on their interests.

The abysmal record of the police in failing to apprehend well-known timber barons is illustrated by one of the most high profile cases of illegal logging to date – that of Adelin Lis. He was accused of illegal logging in North Sumatra and disappeared during the police investigation. In September 2006 he turned up at the Indonesian Embassy in Beijing to renew his passport. A quick-witted embassy official was suspicious of the 50-year old's claim to

be studying in China, and ran a check which confirmed Lis was wanted by the police in North Sumatra. A dramatic apprehension took place when he tried to escape with the help of a gang. Embassy staff resisted and Lis was flown back to face trial.⁽³⁸⁾

The fact that Lis was not even on the top illegal loggers list and was finally caught by civilian embassy staff shows how pitiful the police's efforts have been to catch the main barons still at large in Indonesia. The apparent lack of coordination between the police and the Ministry of Forestry when it comes to defining the main targets also exposes problems with the effectiveness of the Inpres issued in 2005. A solution would be the creation of a powerful task force to hunt down the real top timber criminals.

ABOVE:
Asean Premier – seized off Papua in 2002 with US\$2 million of illegal logs. No prosecution.



ABDUL RASYID – ABOVE THE LAW

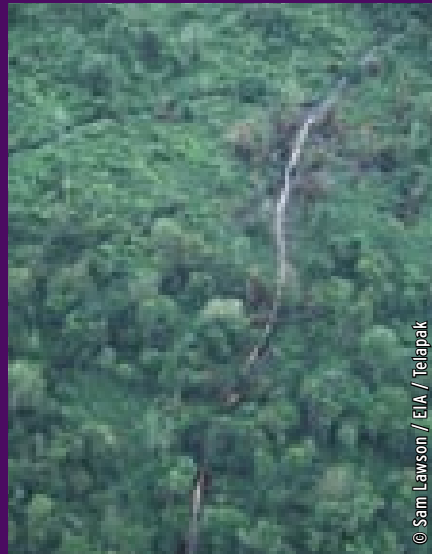
Abdul Rasyid and his family-owned company Tanjung Lingga Group were first identified by EIA/Telapak as being behind the rampant illegal logging of Tanjung Puting National Park, Central Kalimantan in 1999.⁽³⁹⁾

Rasyid was born in the nearby town of Pangkalanbun and from humble origins built a multi-million dollar business based on illegal logging. Through astute connections with the local military and government officials Rasyid was able to loot the park of its valuable ramin timber with impunity, and became the de facto boss of Pangkalanbun. At the height of his illegal business sales of stolen logs were bringing him around US\$30 million a year. Such a huge income helped fund a lavish lifestyle, with mansions and money to fly pop stars from Jakarta on chartered planes to sing at his parties.

When in 2000 his name appeared on Suropto's list he transferred the day-to-day running of his timber empire to three nephews – Sugianto, Agustiar and Yadi – and embarked on a political career, becoming a member of the national People's Consultative Assembly for the province of Central Kalimantan.

Despite stepping back from day-to-day running of the business, he still maintained considerable influence. When three cargo ships were captured off Pangkalanbun in November 2001 carrying timber linked to Tanjung Lingga, he used his influence to ensure the investigation was quashed. Soon afterwards Rasyid began spending more time in Singapore, where he bought a house worth around US\$2 million in the up-market Newton Circus area.

The three ships case reveals how Rasyid and Tanjung Lingga formed one link in an international timber smuggling racket overseen from Hong Kong. Rasyid and close associates like Heng Ijat Hong (aka Ahong) would use their connections to gather stolen logs and ensure that the operation was not interfered with by the authorities. Middlemen in Singapore and

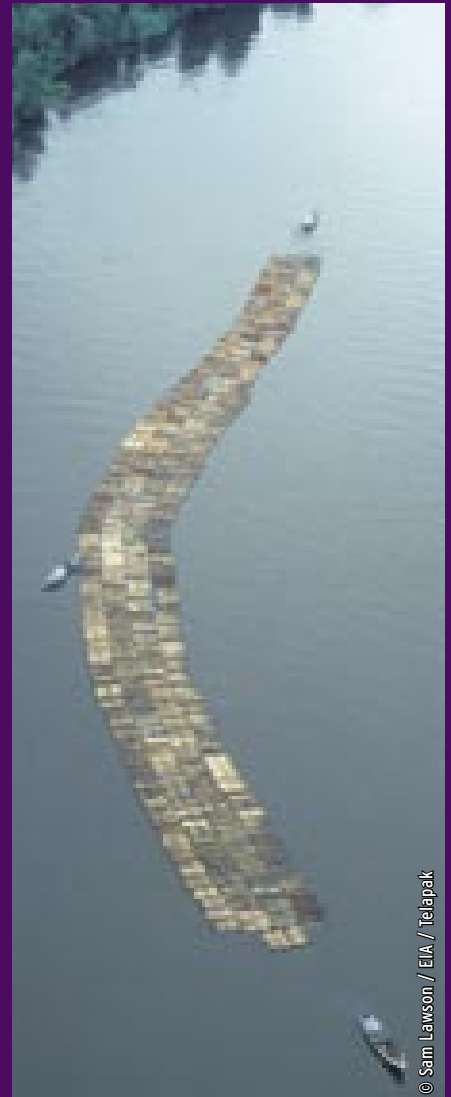


Hong Kong would then find buyers on the international market for the illicit cargo, producing a profit of around US\$100 per cubic metre for Rasyid, paid into his Singapore bank account.

Efforts to prompt a serious investigation of Rasyid and his assets have proven fruitless. Despite reports that his parliamentary immunity had been stripped by then President Wahid in 2001 there was no genuine investigation by either the police or the Attorney General's Office.

Rasyid now has little involvement with the timber side of Tanjung Lingga's business, although the nephews are still shipping out illegal sawn timber from Pangkalanbun. Instead Rasyid has moved into the highly profitable and less risky business of oil palm plantations, setting up the Singapore-based company Kalimantan Import and Export in 2004 to trade palm oil.⁽⁴⁰⁾

The uncontrolled spread of oil palm plantations has been identified as the biggest threat facing Tanjung Puting National Park, so it is no surprise to see Rasyid moving into this business. Once more he is profiting from the destruction of Central Kalimantan's dwindling forests.



ABOVE (left to right):
Abdul Rasyid.
Tanjung Puting National Park.
Illegal log rafts.

ALI JAMBI – THE RAMIN KING

Ali Jambi is the pseudonym for Hap Ali, a powerful timber smuggler who also uses the aliases Jambi Lee, Ali Yulianto, Ali Bunton and Jenggo. Ali, a 37-year old native of Jambi Province, Sumatra, has earned a fortune shipping ramin timber across the Melaka Straits to Singapore and Malaysia.

Ali featured on Suripto's list in October 2000, and by mid-2001 police in Riau Province, the site of huge illegal ramin cutting, declared the investigation into Ali's activities was complete. He was reportedly sentenced to three months in jail but fled before the sentence was carried out.⁽⁴¹⁾

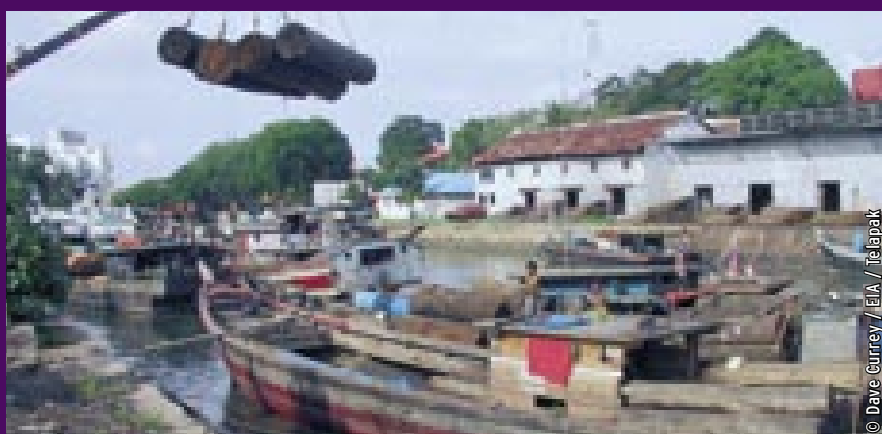
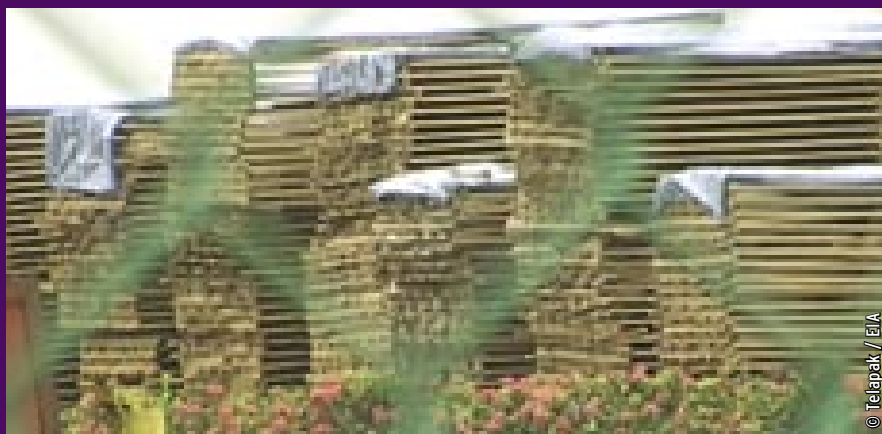
Despite his fugitive status Ali was able to keep the illegal ramin flowing out of Riau's swamp forests. EIA/Telapak investigators in August 2001 witnessed a flotilla of Indonesian wooden ships lined up at the port of Melaka. Local traders revealed how ramin logs could be obtained in Riau for just US\$20 per cubic metre, and sold in Melaka for US\$160 – a huge profit for those with the connections to safely smuggle the illegal ramin across the narrow straits.⁽⁴²⁾

At this time Ali was running a fleet of around 60 wooden vessels ferrying ramin unhindered due to close connections with the navy and customs in Sumatra. By the time of his 30th birthday Ali is reported to have made his first million dollars.

By 2001 Ali, perhaps feeling his illicit business was becoming too well known and allegedly on the run, had shifted to Singapore, establishing a company and living in an exclusive part of town.

In late 2003 EIA/Telapak investigators picked up his trail in the Malaysian port of Pasir Gudang, Johor State. Within the port a highly lucrative ramin transhipment operation had sprung up. Again wooden ships were bringing rough sawn ramin across from Riau. Once in the port it was air-dried, containerised and shipped to China.

Shipping agents in the port identified the main supplier of the illegal ramin as



“Jambi Lee”. They described him as “the ramin king”, responsible for virtually all the ramin smuggled out of Riau. He was said to hold a senior position in an organised crime gang, have strong connections to avoid interference from the Indonesian authorities and to own mansions in Sumatra, Batam and Singapore.⁽⁴³⁾

In March 2006 EIA/Telapak investigators visited the Gaung River area of Riau, a hotspot for illegal activities. Along one of the main rivers the team came across Ali's main sawmill, named Ramindo. Although the site appeared inactive, a foreman said that the boss “Jenggo” had moved to Singapore. Further investigations around the region revealed that although Ali no longer appears active in Gaung, his close associates are



still involved in timber smuggling.

From follow-up calls it appears that Ali now divides his time between Singapore, where he enjoys Permanent Resident status, and Peninsular Malaysia, procuring illegal timber supplies from his associates still in Riau and moving the wood onto international markets. Meanwhile the police in Riau claim he is still on their wanted list.

ABOVE (top to bottom):
Ali Jambi.

Illegal ramin supplied by Ali Jambi - Pasir Gudang port, Malaysia, 2003.

Illegal ramin logs arriving in Melaka, Malaysia, 2001.



THE PROCEEDS OF CRIME

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© Sam Lawson / EIA / Telapak

ABOVE (top to bottom):
Zhangjiagang, China. World's biggest tropical log trading port.

Indonesian timber smuggled to Malaysia.

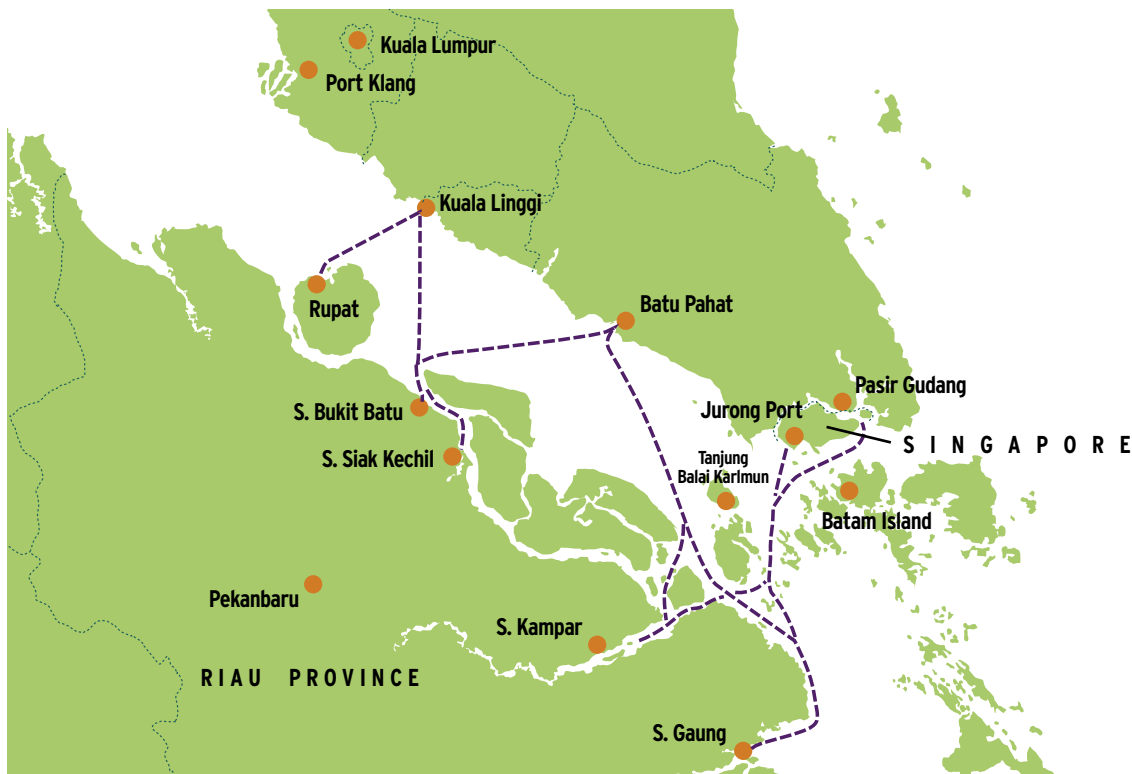
It is not just the domestic timber barons who have profited from the decimation of Indonesia's forests. The global timber industry has willingly sucked in the estimated 30 million cubic metres of illegal logs leaving Indonesia each year in the first half of the decade, and has largely turned a blind eye to the illegal nature of the raw materials.

From the countries in the region with major wood processing industries – notably Malaysia, China and Vietnam – fed by timber stolen from Indonesia, to the main consumer markets of Europe, the US and Japan which buy wooden products derived from the illegal supplies, all are complicit in the crime.

Analysis of the supply chain for stolen timber demonstrates that much of the profit is made outside Indonesia. In 2004 research revealed that merbau logs stolen from Papua were worth US\$120 per cubic metre when loaded onto vessels, a value that doubled to US\$240 upon arrival in Chinese ports. Once processed into solid wooden flooring and sold in Europe or the US the price reached a staggering US\$2,000.⁽⁴⁴⁾

With such profits it is not surprising that efforts to persuade other countries to turn back shipments of timber stolen from Indonesia have been frustratingly slow. For instance China signed an agreement with Indonesia in 2002 to cooperate in tackling illegal logging and associated trade, yet when confronted with evidence of massive imports of illegal merbau logs from Papua, the Chinese government chose to do nothing. When Indonesian officials tried to kick start the agreement in 2005, they were told that the Chinese government had yet to nominate which ministry should deal with illegal logging.

Efforts to create a cooperative timber enforcement system for East Asia have also produced few results, despite cross border trade in illegal timber being worth around US\$2.5 billion a year.⁽⁴⁵⁾ The best hope in the arena of international cooperation is the European Union's Forest Law Enforcement, Governance and Trade (FLEGT) initiative. FLEGT envisages Voluntary Partnership Agreements (VPAs) with major timber producing countries under which only timber verified as legal will be allowed to enter the market. Both Indonesia and Malaysia have begun negotiations with the EU for such an agreement, with a target date of 2007 to sign the deal. The VPA with Indonesia cannot come soon enough – between October 2005 and September 2006 the EU states imported US\$70 million worth of sawn timber from Indonesia, despite such exports being banned.⁽⁴⁶⁾



MALAYSIA – RECEIVING STOLEN GOODS

The widespread smuggling of illegal Indonesian timber into Malaysia has been well-documented. For years logs and sawn timber have moved from Sumatra into the West Malaysian ports of Batu Pahat, Kuala Linggi, Muar and Port Klang. Much of this timber feeds Malaysia's wood processing sector, whilst significant quantities are also transhipped to third countries such as China.

In the face of international concern over the scale of illegal timber laundering by Malaysia the government took the commendable step of banning the import of Indonesian logs in June 2002, in effect a reciprocal measure to back up Indonesia's log export ban. The ban was extended to include all square logs with a cross section greater than 60 square inches in mid-2003.

Since then enforcement of the regulations in Peninsular Malaysia has produced some notable successes, with officers from the Malaysian Timber Industry Board (MTIB), the Malaysian Maritime Enforcement Agency and customs making a series of seizures. Yet recent investigations by EIA/Telapak in Sumatra and Peninsular Malaysia reveal that timber smuggling is still widespread, with the efforts of the enforcement agencies being undermined by a timber industry which refuses to stop dealing in stolen Indonesian timber.

Furthermore, despite direct appeals from Indonesia, the Malaysian government refuses to extend its prohibition to include rough sawn timber, which its neighbour has banned from export. Large amounts of Indonesian sawn timber are flowing into Malaysia,

unimpeded by enforcement agencies which do not have the powers to intercept it.

SMUGGLING ACROSS THE MELAKA STRAITS

A series of investigations carried out by EIA/Telapak in Riau Province and the west coast of Peninsular Malaysia between March and June 2006 reveal that despite improved enforcement on both sides, timber smuggling remains rife and deeply entrenched.

Large quantities of timber from the Gaung River, Bukit Batu River and Rupid Island in Riau are being shipped across daily to the ports of Batu Pahat and Pasir Gudang in Johor State, Kuala Linggi in Melaka State, and Port Klang in Selangor State. While the bulk of the contraband is rough sawn timber, EIA/Telapak also documented large fitches and ramin timber entering Malaysian ports, in contravention of the country's import laws.

RIAU – SPORADIC ENFORCEMENT

During a one-week investigation in the coastal areas of Riau, EIA/Telapak saw the impact of improved enforcement in some areas, notably Dumai and Bengkalis, while in the region of Indragiri Hilir the smuggling business appeared virtually unscathed by alleged recent clampdowns across the province.

Within Indragiri Hilir much of the wood industry is concentrated along the Gaung River. While most of the sawmills visited initially claimed timber could no longer be exported, they soon revealed how a small

ABOVE:

Map: Timber smuggling routes from Riau, Indonesia to Peninsular Malaysia.

number of key “agents” in the area could still regularly ship illicit timber to Batu Pahat, Pasir Gudang and Jurong port in Singapore.

The investigators were introduced to one such agent - Haji Aziz, based in Tembilahan town and described by some as ‘the craftiest smuggler in Gaung’. He revealed that his four vessels regularly smuggle timber across the straits, and led the investigators to view one of his ships being prepared for departure. The large wooden boat was loaded with over one hundred tonnes of sawn timber bound for Batu Pahat which had been ordered by a Malaysian trader who is a regular customer. Aziz explained how coconuts are piled on top of the timber to disguise the cargo and said the fee for transporting the wood was Rp 1 million per tonne (US\$108), including bribes.

Another trader met by EIA/Telapak was a corrupt police officer named Asmar. He offered to both obtain timber and to arrange its safe transport to either Pasir Gudang or Jurong wharf in Singapore. He and his two partners run a fleet of ten vessels and pay up

He named one of his regular customers in Kuala Linggi as Lee Beng Koh Enterprises. Later the investigators were introduced to a local army officer, who explained that the timber smuggling business was still possible, as long as connections were established with the right military personnel. He described how Rupert Island is divided up into different spheres of influence by corrupt army and navy staff.

PENINSULA MALAYSIA - CLOSE ONE EYE

Following the Riau investigation the EIA/Telapak investigators travelled to Peninsular Malaysia to follow up leads obtained from the Indonesian traders. The team visited Kuala Linggi and Port Klang, and obtained evidence of a well-connected group of traders still busily importing illegal Indonesian timber.

In Kuala Linggi port the investigators entered the Tasik Fajar wharf, where numerous shipments of Indonesian timber had been documented in previous years.



ABOVE (left to right):
Coconuts used to conceal smuggled timber.
Gaung River, Riau's main timber smuggling centre.

to US\$4,000 in bribes each trip, especially in the areas of Tanjung Balai Karimun and Batam Island where the vessels sail close to the shore.

Further north EIA/Telapak visited traders in the Bengkalis area. Several spoke of improved enforcement affecting their business, with logs being hidden in remote areas along the Bukit Batu River until the coast is clear. One trader called Zamhur claimed to regularly ship banned ramin timber to a Malaysian trader in Batu Pahat.

In Rupert Island, a centre for illegal logging of ramin in previous years, the investigators were told that business had become more difficult, and vessels now left at night to escape detection. In the town of Lechak a trader called Aiseng explained how he and two associates are still able to move timber out to Kuala Linggi port through good connections with the local military.

The situation around the port was tense, due to an enforcement operation prompted by the recent interference in a timber seizure by a local parliamentarian called Mohammad Said bin Yusof.

A worker at the wharf explained there are around seven different traders who regularly bring in Indonesian timber through Tasik Fajar, naming the biggest one as Lee Beng Koh Enterprises. This firm alone is reportedly receiving up to 2,000 tonnes of Indonesian timber a month. Later the investigators met with Ah-Chan from Lee Beng Koh, who claimed that it was the seizure by customs of one of his shipments of Indonesian fitches which prompted the MP to intervene. Wood traders in the port had become increasingly concerned about the enforcement by customs, and had turned to the MP for help. Ah-Chan claimed: “He’s working for us. Our boats are all under his control... during the elections, we were the ones who gave him money.”



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The case of Said bin Yusof, MP for Jasin (an area covering Kuala Linggi port), shows how powerful political interests are involved in the on-going trade in illegal Indonesian timber through Kuala Linggi. The story first came to light when a customs officer reported how the MP had asked him to “close one eye” to a shipment of timber from Indonesia which contravened Malaysian law.⁽⁴⁷⁾

The ensuing political scandal reached the office of the Malaysian Prime Minister. The Jasin MP claimed that he only intervened to try and help local businesses: “Even though I have been a forwarding agent for the past 14 years, I met the customs officials as an MP to help the businessman.” he said.⁽⁴⁸⁾

Yet company investigations undertaken by EIA/Telapak reveal that Yusof had a personal interest in undermining the customs enforcement. His freight forwarding company, Binyu Sof Enterprise, handles all the shipments of Indonesian timber arriving at Kuala Linggi. In addition the MP is also director of the company Pelabuhan Kuala Linggi (Melaka), which operates the Tasik Fajar wharf.⁽⁴⁹⁾

While in Kuala Linggi EIA/Telapak were told that fitches arriving at the port were often loaded onto trucks and driven further north to Port Klang, one of Malaysia’s main container terminals.

The investigators travelled to Port Klang and met with Jack Nguik, director of the company Jimwood, which regularly ships CITES-listed ramin wood to Europe and Asia. Nguik told investigators that he often buys illegally imported Indonesian sawn ramin from local traders in Peninsular Malaysia, and that he is able to export it disguised as Malaysian origin by mixing it with indigenous ramin.

Nguik led the EIA/Telapak investigators to a sawmill near Port Klang called Turbo Fame. During the visit, traders at Turbo Fame sold Nguik 12 tonnes of ramin sawn timber, which Nguik confirmed had all originated from Indonesia. Company records reveal that Jimwood’s other directors include former Minister of Science, Technology and Environment Datuk Seri Law Hieng Ding, once again indicating the high level of political influence enjoyed by Malaysian traders dealing in illegal Indonesian wood.⁽⁵⁰⁾

While in Klang EIA/Telapak gathered information showing how illegal Indonesian square logs are being transshipped through the port en route to China. Returning to the Turbo Fame mill the investigators witnessed a truck arriving at the site carrying square logs above the permitted size. The owner of the company confirmed that the timber was from Indonesia, and said that the wood would be sawn and shipped overseas. At a nearby location operated by trader Alan Chong, EIA/Telapak saw illegal Indonesian fitches being loaded into containers for export to China.



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ABOVE (top to bottom):
 Unloading Indonesian timber at Kuala Linggi port.
 Trucks ferry Indonesian timber from Kuala Linggi to Port Klang, Malaysia.
 Jasin MP Said Bin Yusof.



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ABOVE:
Singapore's financial district
- confidentiality guaranteed.

SINGAPORE – A SAFE HAVEN

The small island-state of Singapore is a key accomplice in the forest crimes carried out in Indonesia. Money derived from illegal logging is laundered through its secretive banks, its shipping companies carry the timber overseas, and its wood traders sell the stolen goods onto the international market. Indonesian government officials have been critical of the lack of cooperation from their Singaporean counterparts when it comes to anti-money laundering and extradition of fugitives.

A recent study of the Asia Pacific region's dollar millionaires found that of the 55 000 resident "High Net Worth Individuals" in Singapore, 18 000 are from Indonesia. The whole of Indonesia has only 17 000 millionaires. More rich Indonesians choose to live in Singapore than in their own country for a number of reasons, but an important one is the secrecy of the banking system. The study quotes a banker as saying: "In following Switzerland's model for banking secrecy, only Luxembourg even begins to come close to Singapore," adding that the Singaporean government assures client confidentiality for those choosing to bank there.⁽⁵¹⁾

Assets held by wealthy Indonesians living in Singapore total a staggering US\$87 billion, more than Indonesia's annual state budget for 2006. While much of this wealth has been

derived by legitimate means, a substantial portion comes from crimes carried out in Indonesia. Indonesian officials have recorded cases of at least 200 individuals who owe the state money sheltering in Singapore over the last seven years.⁽⁵²⁾

Conscientious banker Andy Xie revealed his personal opinion of Singapore's financial success in a leaked email sent to colleagues. Wie, former Chief Economist in Asia for Morgan Stanley, wrote: "Actually, Singapore's success came mostly from being the money laundering centre for corrupt Indonesian businessmen and government officials."⁽⁵³⁾

Predictably efforts to retrieve some of the illicit money stashed away in Singapore often fail. Yunus Husein, chairman of Indonesia's PPATK, said: "It's very hard to get information from Singapore. When we asked them to help us (track down) the money, they always say that... it's not their problem."⁽⁵⁴⁾

Singapore has robust internal rules under the Prevention of Money Laundering Act of 2002. A central element of the act is the "Know Your Customer" initiative, a legal requirement under which financial institutions are legally required to report suspicious transactions to the authorities. Yet the scheme only applies to transactions linked to serious crime or terrorism, and revenues derived from illegal



ABOVE (left to right):
Sukanto Tanoto - High Net Worth Individual
and Singapore resident.
Tanoto's Singapore mansion.

logging appear to fall outside its scope.

Recently the Indonesian government used the UN Convention Against Corruption to secure the assistance of the United Kingdom in freezing a bank account linked to Tommy Suharto, son of the former Indonesian president. This form of cooperation is not an option when it comes to Singapore, as the country has yet to ratify the convention.

Investigations undertaken by EIA/Telapak reveal that Singaporean banks are preferred for opening letters of credit for numerous deals involving Indonesian logs. In 2004 Hong Kong timber trader Shelman Siu told investigators that most of the payments by Chinese buyers for illegal merbau logs from Papua were made through Singaporean banks.

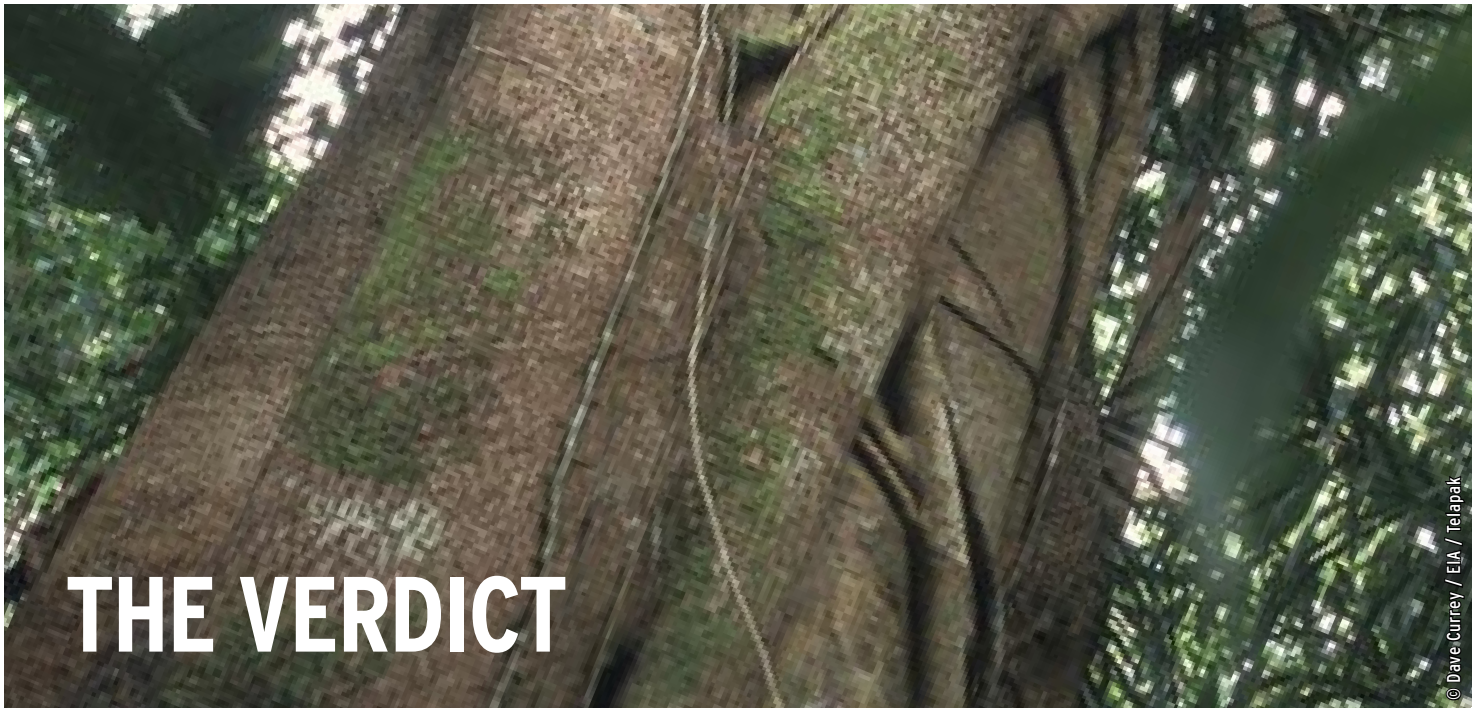
Analysis of the activities of timber tycoon Abdul Rasyid show that a series of payments for illegal logs flowed into his personal account in Singapore, and the business account of one of his partners. Although Rasyid bought property in Singapore, he did not opt to take out Singaporean Permanent Resident Status, a course of action followed by Ali Jambi. Such a status can be obtained for an investment of around half-a-million US dollars, and proof of an "entrepreneurial background".

The lack of an extradition treaty between the two neighbours adds to the attractiveness of the island-state for Indonesians fleeing justice. Requests for such a treaty from the Indonesian government date back to the 1970s, with formal negotiations not starting until early 2005. Talks between the two sides have been through nine rounds – usually two or three rounds are sufficient – and still the treaty has not been signed. Singapore's latest delaying tactic is to insist that the extradition treaty must be signed at the same time as a defence treaty.⁽⁵⁵⁾

Many of the perpetrators of one of the worse financial crimes ever committed found their way to Singapore. The Bank Indonesia Liquidity Assistance scandal took place in the later 1990s, at the height of the regional economic crisis. The central bank gave out US\$13.5 billion to 48 of the country's banks to avoid their collapse. Of these funds 99 per cent were misused by the bank owners, money which was effectively stolen from the state at a time of crisis and hardship for most of the population.⁽⁵⁶⁾ Agus Anwar, head of Bank Pelita, was charged with stealing Rp 1.89 trillion (US\$210 million) and promptly moved to Singapore, where he obtained citizenship. While Indonesia bears the bulk of the responsibility for failing to arrest suspects before they flee, an extradition between the two neighbours would support the efforts of those trying to reform the justice system in Indonesia.

Another powerful Indonesian tycoon who found refuge in Singapore is Sukanto Tanoto, recently named as Indonesian wealthiest person with family assets of US\$2.8 billion.⁽⁵⁷⁾ Sukanto was wanted by the police in connection with the failure of Unibank in 2001, a bank he owned which collapsed with Rp 3.9 trillion (US\$429 million) in debt. Despite an instruction being issued by the Indonesian government banning him from leaving the country, Sukanto managed to abscond to Singapore.

Sukanto is also owner of the Raja Garuda Mas Group, which includes the Singapore-based pulp and paper company Asia Pacific Resources International Holding Ltd. (APRIL). The company has cleared vast tracts of land in Sumatra to feed its pulp mills, and has been accused on a number of occasions of receiving timber from forests with a high conservation value and from illegal sources inside national parks.^(58, 59)



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THE VERDICT

Indonesia's justice system has failed to prosecute those responsible for orchestrating the massive illegal logging epidemic which has spread across the country. Since 2005 the government has taken commendable steps to reduce illegal logging and timber smuggling. Such actions have affected logging operations in the field, but have not reached the power structure behind the timber theft. The recent progress is fragile. Intelligence suggests timber smuggling is on the rise again, as the timber bosses realise they are immune from prosecution. Urgent action is needed to maintain the offensive against the timber thieves and to preserve Indonesia's remaining forests.

- **Formally request that timber trading partners put in place measures to prevent the import of Indonesian rough sawn wood.**
- **List merbau on Appendix III of the Convention on International Trade in Endangered Species (CITES), with a limited export quota for processed merbau products.**

THE GOVERNMENT OF INDONESIA SHOULD:

- **Create a Strike Force to pursue major timber criminals. The team should be made up of key officials from the police, military, Attorney General's Office, Ministry of Forestry, PPATK and KPK.**
- **Agree the draft law on illegal logging as a priority.**
- **Conduct an independent review of recent judicial decisions on illegal logging cases.**
- **Openly publish indictments and judicial decisions involving illegal logging cases.**
- **Encourage civil society to monitor court cases involving illegal logging.**
- **Train judges and prosecutors to better understand the forestry law, anti-money laundering law, and anti-corruption law.**
- **Train customs officers in key ports to detect containerised shipments of illegal timber.**
- **Provide greater powers to the PPATK and Ministry of Forestry to investigate cases.**

THE GOVERNMENT OF MALAYSIA SHOULD:

- **Issue a regulation banning the import of Indonesian sawn timber.**

THE GOVERNMENT OF SINGAPORE SHOULD:

- **Conclude an extradition treaty with Indonesia.**
- **Ratify the UN Convention Against Corruption.**
- **Extend its "Know Your Customer" requirements for banks to include suspicious transactions involving illegal logging.**

MAJOR TIMBER CONSUMING COUNTRIES SHOULD:

- **Enact laws banning the import and sale of timber and wood products obtained illegally in the country of origin.**

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