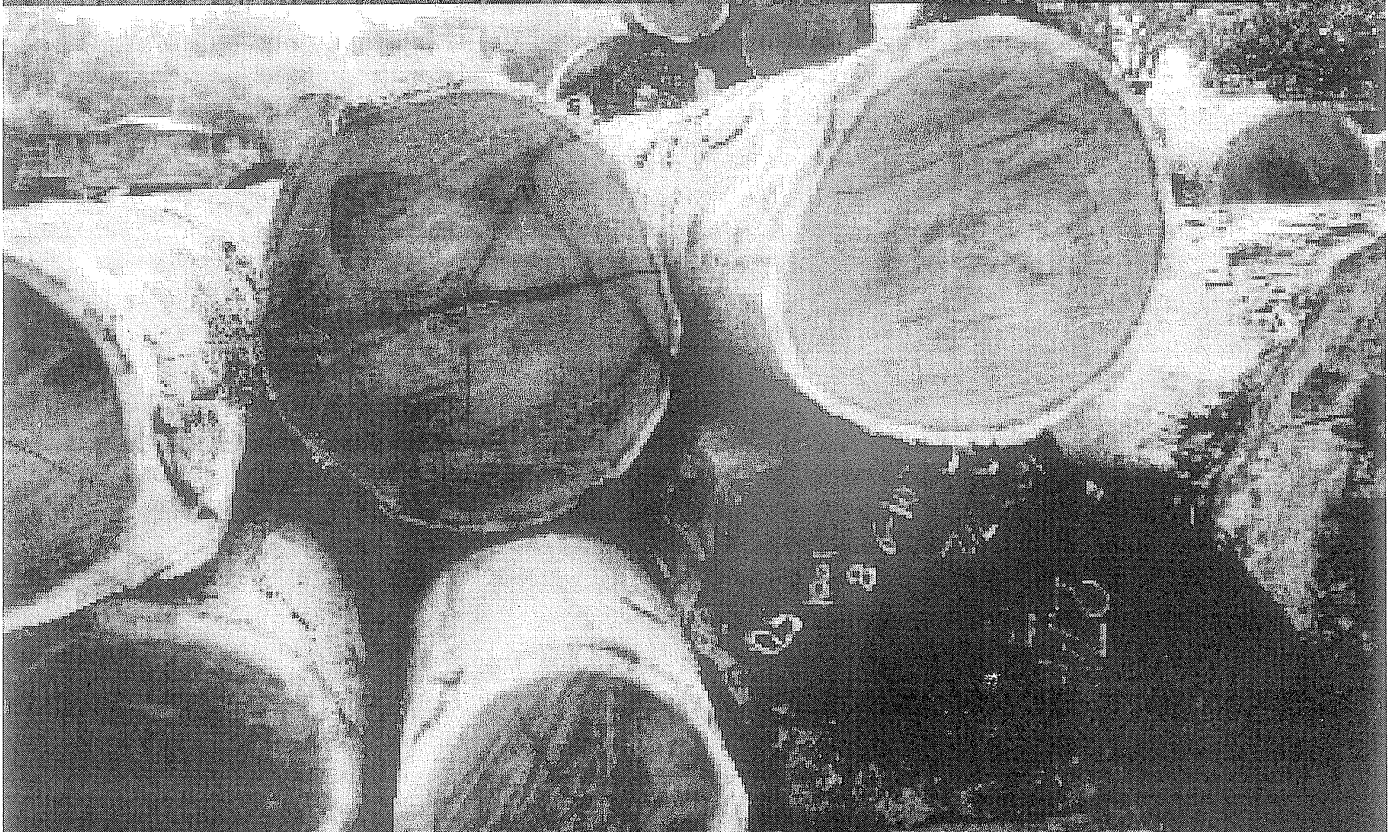
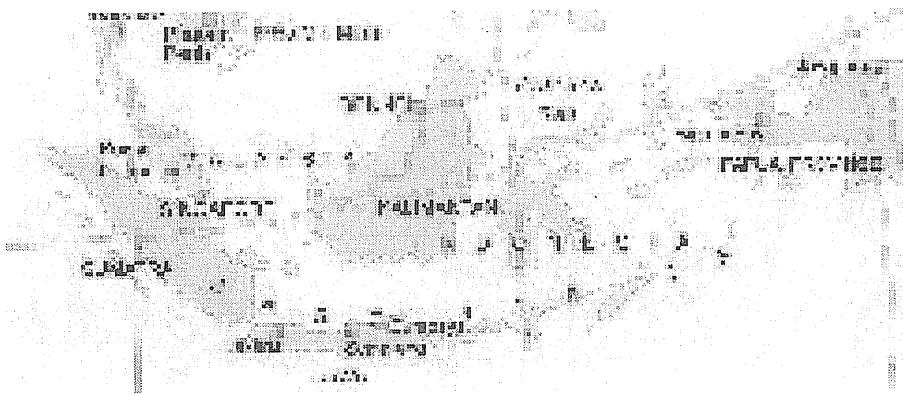


BEHIND THE VENEER

How Indonesia's Last Rainforests
are being Felled for Flooring





Executive Summary

Demand-driven illegal logging in Indonesia is destroying one of the world's most important remaining tracts of undisturbed tropical forest. Despite unprecedented enforcement operations by the Indonesian government, every day thousands of hectares of Indonesia's forests are cut illegally to supply the thousands of factories across Asia. Much of this timber is destined for the shelves of high street retailers and builder's merchants in the European Union and North America.

Merbau, a highly valuable hardwood, is being ruthlessly targeted by illegal logging syndicates in Indonesian Papua to supply the booming demand for tropical hardwood flooring. Outlining the results of recent

EIA/Telapak investigations, this report tracks the trade in merbau from Papua, via the factories processing merbau for the world's biggest flooring brands, to the shelves of the leading DIY and home improvement retailers of Europe and North America.

Providing case studies on some of the biggest players, the report contrasts the environmental claims touted by specific European and American companies with the reality investigators found behind the veneer. It reveals that - though they are not themselves breaking any law - these global flooring companies do not know the precise origin of all the merbau they are selling, that much of the wood originates in Papua, and there is no way of being certain it

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was not illegally sourced. It also outlines specific examples of illegal activities by Asian companies supplying some of these major brands.

While suppliers and retailers of merbau flooring must stop duping their customers and take urgent steps to ensure the legal origin of their wood, this briefing concludes that it is ultimately the responsibility of governments in western consuming countries to ensure that stolen timber is not allowed to reach the shelves. Yet despite repeated promises to act, there are currently no laws in the US or Europe which prohibit the import or sale of timber or wood products which were illegally sourced. Until such laws are enacted, western companies will continue to profit while Indonesia's and Papua's last frontier forests are flooded.

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Top left: Map of Indonesia and Malaysia.

Front cover: Papuan merbau logs in the yard of Seng Fong, Indonesia, August 2005.

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The Theft of Indonesia's Last Rainforests

The global scourge of illegal logging is one of the most pressing issues facing the planet today. One of the countries most affected is Indonesia, where up to eighty per cent of logging is illegal.⁽¹⁾ This rampant timber theft has led to one of the highest rates of deforestation in the world – every year 2.8 million hectares are lost, an area almost as large as Belgium.⁽²⁾

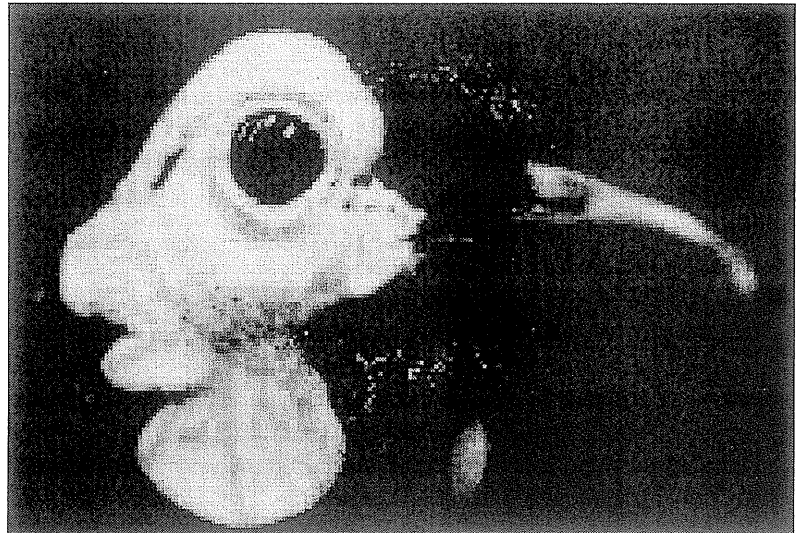
The social and environmental implications of this criminal destruction are staggering. Every year illegal logging robs the Indonesian government of an estimated \$4.3 billion in much-needed revenue.⁽³⁾ The loss of precious forests to timber thieves is leading to devastating floods and landslides and driving rare plant and animal species ever closer to extinction.

The rampant looting of Indonesia's forests is directed by millionaire timber barons looking to make easy profits. Hungry for cheap timber and heedless of its source, the consuming nations of Europe and North America callously continue to consume stolen wood, spurring the timber barons on in order to meet their demand.

Having already stripped the once emerald-green islands of Borneo and Sumatra of much of their jungle, the focus of the illegal loggers in Indonesia has now turned to the remote Papua province on the island of New Guinea, home to the largest single remaining tract of tropical forest in Asia. Seventy per cent of New Guinea (divided between the Indonesian province of Papua in the west and the country of Papua New Guinea in the east) is still covered in rich dense forest thriving with unique flora and fauna.⁽⁴⁾ Recently a host of new species of plants and animals were discovered deep in the forests of Papua province by scientists who dubbed the area as 'the closest place to the Garden of Eden as you're going to find on Earth'.⁽⁵⁾

By far the most valuable timber in the Papuan forests is merbau (*Intsia spp.*). A dark, luxurious, red wood, merbau is primarily used for the manufacture of 'exotic' hardwood floors, which can command prices of up to \$138 per square metre.⁽⁶⁾ Though it is also found in nearby Malaysia, most remaining commercial stands of merbau are confined to the island of New Guinea.

In February 2005, EIA/Telapak released a report, 'The Last Frontier', which exposed rampant illegal logging in Indonesian Papua and documented the mafia syndicates smuggling



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300 000 cubic metres of stolen merbau logs out of the province every month. The logs, accompanied with false paperwork, were departing aboard fleets of giant cargo vessels, in violation of a ban on log exports enacted in 2001. Most of the timber was going to feed China's mammoth wood flooring industry. The report also revealed the central role of the Indonesian military in the timber theft and the intimidation of Papuan communities trying to protect their lands.⁽⁷⁾

EIA/Telapak have documented rampant illegal logging of merbau in Papua.



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Above: The Smoky Honeyeater: newly discovered in Papua's 'Garden of Eden'.

Left: Forest resources are being stolen from traditional Papuan communities.

Theft of Indonesia's Last Rainforests

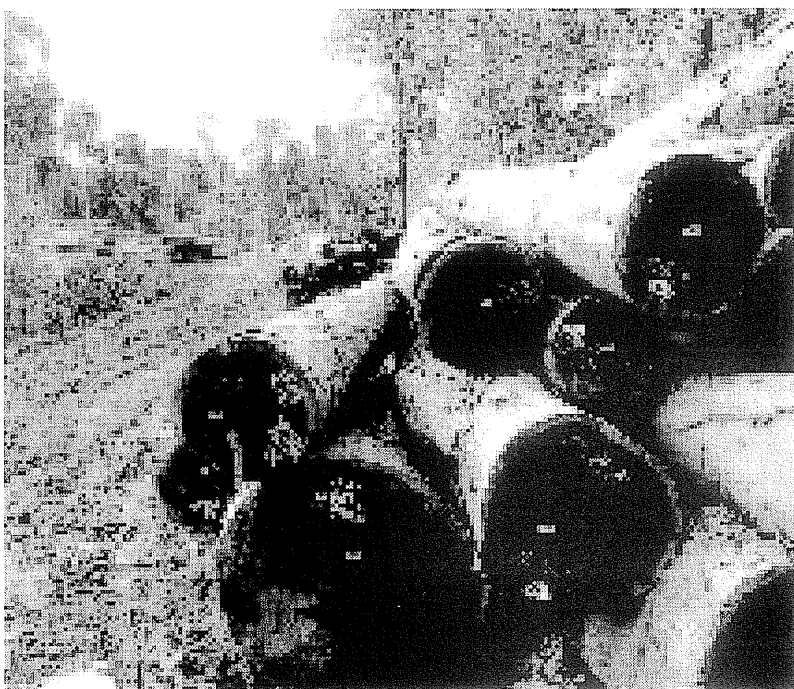
All wood from Papua must be treated with suspicion.

The following month, Indonesian President Susilo Bambang Yudhoyono responded with a crackdown on illegal logging of unprecedented scale. The enforcement operation in Papua resulted in the seizure of more than 400 000 cubic metres of stolen logs and sawntimber, plus a host of trucks, ships and logging equipment.⁽⁸⁾ More than 170 people were arrested, including police, army and forestry officials. Altogether, timber and equipment worth almost a quarter of a billion dollars was confiscated, and the impacts of the enforcement operation in Papua were felt in timber markets around the world. As supplies of merbau waned, prices rocketed: in February 2005 logs were changing hands in China for as little as \$278 – by October they were selling for up to \$732.⁽⁹⁾

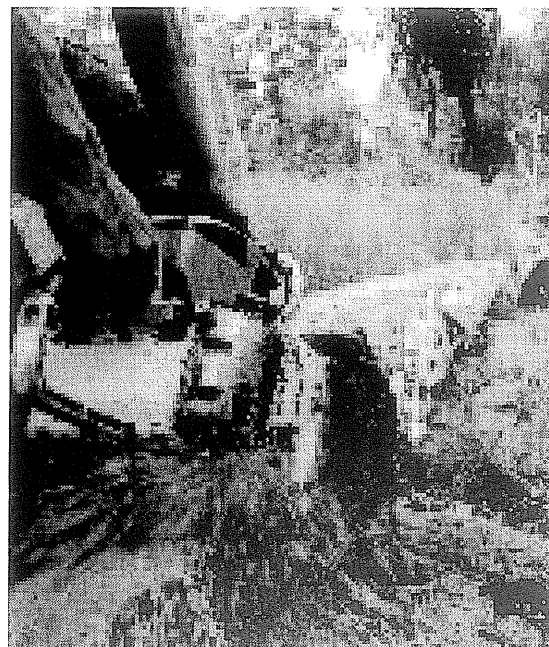
Yet Papua's forests are still far from safe. Corruption surrounding the sale at auction of the seized timber has meant the government has received only two per cent of the \$216 million in revenue which was expected.⁽¹⁰⁾ In December 2005 the National Police Chief admitted that evidence existed showing that the companies from which the logs were originally seized had in many cases managed to buy them back at artificially deflated prices.⁽¹¹⁾ Since the special enforcement operation ended in May 2005, the timber barons and their corrupt cronies in the local bureaucracy and military have adapted their cutting and smuggling operations and are now back in business. In February 2006 1000 illegal logs were seized from a company in the district of Bintuni, which police claimed had been regularly shipping logs illegally to Java between September and December of the previous year.⁽¹²⁾ Though it has become more

Top right: Illegal logging in Wasur National Park, Papua January 2006.

Below: Illegal merbau logs awaiting collection, Seremuk, Papua, February 2003.



© Dave Currey/EIA/Telepak



© Jago Wadley/EIA/Telepak

difficult to export logs, new sawmills are now springing up to process the stolen wood in order to ease its passage.⁽¹³⁾ The situation in Papua remains chaotic, there are no independently certified forests, and all wood which originates there must still be treated with suspicion.

The enforcement efforts in Papua have been critically undermined. The return of illegal logging has been made almost inevitable by the failure of the consuming countries of stolen merbau in Asia, Europe and North America to halt imports and control demand. Shockingly, it remains perfectly legal in most instances in Europe and North America to import or sell timber which was illegally sourced in the country of origin. Though the European Union has recognised this failing, so far they have only committed to setting up voluntary bilateral schemes to exclude illegal timber from willing partner countries. Even these will not cover processed wood products like flooring. Independent studies have shown that a broad-based ban on the import and sale of stolen wood is needed, and the call for such a law to be enacted is supported by much of the industry, by all the large NGOs, and by the UK's Parliamentary Environmental Audit Committee.⁽¹⁴⁾ Three years ago the EU promised to consider such a measure,⁽¹⁵⁾ yet so far it has failed to face this urgent issue, clearly preferring a weaker voluntary approach.

In the meantime, as this briefing demonstrates, companies in Europe and the US, their imports unregulated by government, continue – albeit unwillingly – to drive the destruction of Papua's forests, demanding wood at any cost and with few questions asked.