

THE TRUE COST OF ILLEGAL LOGGING

DEVASTATING FORESTS AND DESTROYING JOBS

Indonesia's rainforests are the third largest in the world, but they also rank amongst the most endangered. Approximately half of all Indonesian forests have been destroyed or degraded in the last 50 years and the destruction continues.

Much of the timber from Indonesia's forests has been logged to feed the country's paper and pulp processing industry. The Indonesian paper and pulp industry has a record of illegal logging and large-scale deforestation. A 2007 United Nations Environmental Program report estimated that 73 to 88 percent of timber logged in Indonesia was illegally sourced.¹ More recent estimates place the figure at a lower, yet nonetheless startling 40 to 55 percent.^{2,3} Even forests with protected status, such as national parks, are in danger – the Indonesian government reports that illegal logging takes place in 37 of the 41 national parks.⁴

Illegal Logging and its Impacts

Environmental Repercussions

Illegal logging harms ecosystems, biodiversity, and local communities. Indonesia's forests are home to many indigenous peoples and forest dependent communities. These forests also house an array of plant and animal species, including critically endangered Sumatran tigers, orangutans, rhinoceros and elephants. In addition, forests provide priceless ecosystem services such as water filtration and carbon storage, helping to absorb climate changing greenhouse gas emissions. Illegal logging deprives developing countries of the opportunity to realize the economic value of preserving their forests as part of the global solution to stopping climate change.



Deforestation accounts for one-fifth of global greenhouse gas emissions, making it one of the most significant contributors to climate change.⁵ A report sponsored by the Indonesian government estimates that forest degradation contributes to approximately 80 percent of the nation's greenhouse gas emissions.⁶ Such irresponsible forestry has been critical in making Indonesia the third largest emitter of greenhouse gases in the world.⁷



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Job Impacts

Illegal logging undermines the strength and sustainability of the economy in both Indonesia and the United States by distorting global prices, undercutting sustainably manufactured products, and jeopardizing the jobs of U.S. and Indonesian workers.⁸ Illegal logging increases the supply of wood products on global markets and depresses legally harvested wood prices by an average of 7 to 16 percent.⁹

Under current conditions, there is no level playing field. Unfairly priced imports of timber products from countries with high risk of illegal sourcing, such as Indonesia and China, have grown significantly in recent years and account for at least 48 percent of the U.S. market.¹⁰ Conservative estimates place U.S. industry losses due to illegal logging-related depressed wood prices and lost exports at over \$1 billion.¹¹ According to the U.S. Bureau of Labor Statistics, the logging, wood, paper and cabinetry industries have lost 242,000 jobs, or roughly 23 percent of its workforce, since 2006.¹²

Systematic government tolerance for unlawful practices such as tariff misclassification, subsidies, and fraudulent labeling currently results in unfair trade advantages for the Indonesian timber and wood products' industries. Consumer countries must ensure that they are not complicit in the destruction of the world's forests. Official recognition that the systematic non-enforcement of Indonesian forestry laws is an unfair trade subsidy would help address the

Illegal logging includes but is not limited to:

- Unauthorized harvesting in national parks or forest reserves;
- Harvesting without or beyond concession permit limits;
- Overharvesting on granted lands;
- Timber smuggled, sold or transported as if produced from foreign, legal concessions;
- Transporting timber without proper documentation;
- Purchasing shipments of logs of questionable origin mixed with legal timber harvests;
- Failure to properly report harvests to avoid royalty payments;
- False customs papers.

underlying market distortions fueling rampant illegal logging. Governments can and should use their trade rules to align producers' economic incentives with environmental and social goals.

The Pulp and Paper Case

Affected U.S. pulp and paper producers and their employees' union, the United Steelworkers, have brought the issue of unfair timber harvest practices in Indonesia and China to the attention of the U.S. Department of Commerce (DOC) and the International Trade Commission (ITC). The DOC and ITC have initiated investigations to address the origins and impacts of paper products from China and Indonesia, and specifically whether these products have benefited from unfair subsidy advantages as a result of illegal logging. Given the overwhelming evidence linking the Indonesia pulp and paper industry to illegal logging, environmental devastation and unfair trade subsidies, it is critical that the Department of Commerce request and receive complete information regarding the harvest and trade of Indonesian timber products to ensure the U.S. does not reward illegal logging by allowing access to U.S. markets. Such investigations could set a powerful precedent for responsible industry and government practices.



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The Lacey Act

The U.S. Lacey Act prohibits interstate and international trafficking of wildlife, fish, and plants that have been illegally taken, traded or

sold. In 2008, the act was amended to include plants and derivative products, such as timber and wood products. The newly amended Lacey Act provides basic transparency for wood shipments and taking action against the import of illegally sourced wood.

To ensure meaningful enforcement of this act, it is imperative that highly processed wood products, such as pulp and paper, are included in schedules for import declaration requirements and that sufficient appropriations are designated to implementing agencies.

Looking Ahead

Rapid rates of deforestation are contributing to global climate change - approximately 20 percent of annual global warming emissions originate from forest destruction. At the same time, products of illegal logging - from pulp and paper, to building products and furniture - are undercutting sustainable forest practices throughout the world, resulting in job loss in communities in the United States. In countries like Indonesia, where a majority of logging is performed illegally, serious job loss is occurring and the real economic value of preserving tropical rainforests as a critical climate change solution is being lost forever.

Solutions to illegal logging must benefit the environment, communities and workers in both developed and developing world economies. Increased transparency and comprehensive law enforcement are crucial to protecting forest ecosystems and creating a level playing field for business. The steps we take now to reform the harvest, trade and purchase of wood and wood products have the power to alter the future of Indonesia's forests, mitigate climate change and preserve forest products jobs and sustainable forestry in North America.

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