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For Immediate Release

Civil Society Coalition Calls for Jokowi to Revoke MoT Regulation 15/2020:

Harmful to the country, undermining SDG 15 and contrary to Indonesia's commitments under the Voluntary Partnership Agreement (VPA) for Forest Law Enforcement, Governance and Trade (FLEGT) with the European Union

Jakarta, March 26, 2020 – The coalition of civil organizations engaged in monitoring the implementation of Indonesia's Timber Legality Assurance System (SVLK) has submitted an open letter to the President of Indonesia, Joko Widodo (Friday, 3/20/2020). This letter demands the immediate revocation or revision of the Ministry of Trade Regulation Number 15 of 2020 (*Permendag 15/2020*) concerning *Export Provisions for Forestry Industry Products*, which currently eliminates V-Legal requirements for the export of forest products.

The Ministry of Trade (MoT) has stated that the Regulation (*Permendag 15/2020*) released on February 27, 2020 is intended to increase the effectiveness of the forest industry and boost Indonesia's timber exports. Recent government statements have suggested that relaxing V-Legal requirements for timber exports will help to mitigate the impact of the Coronavirus (Covid-19) outbreak on Indonesia's economy.

These are two illusory, baseless claims. Instead of supporting the forest industry, the enactment of *Permendag 15/2020* may well harm Indonesia's timber exports.

V-Legal certification is one of the key requirements needed to export forest products from Indonesia. The certificate confirms that exported timber products have met timber legality standards, in alignment with government regulations. In the event that the V-Legal certification is not upheld for export requirements, there is a possibility that Indonesia will contravene the commitments it has made in its Voluntary Partnership Agreement (VPA) for Forest Law Enforcement, Governance and Trade (FLEGT) with the EU.

The argument that SVLK is not needed to export timber products to the international market is contrary to Indonesia's commitment to maintain a robust timber legality and traceability system. Claiming that SVLK is not necessary means encouraging exports to markets that are not concerned about the legality of the timber they buy, as well as undermining good forest governance and ignoring the threat of widespread illegal logging.

Tackling illegal logging, establishing a robust forest governance framework, and developing a comprehensive timber legality assurance system have been a key part of Indonesia's commitment to implement the Sustainable Development Goals (SDGs). This is particularly relevant to SDG 15: to protect, restore and support the sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss. Exporting timber products without legality certification constitutes a violation of SDG 15.

This *Permendag* will also lead to legal uncertainty. This law can now be interpreted as providing permission for the forest industry to ignore traceability, legality and sustainable development standards.

Ultimately, *Permendag* 15/2020 will negatively impact Indonesia's global diplomatic status. Indonesia's position will be inconsistent with widely agreed global policy. Successful international diplomacy is not only about achieving technical results or economic impact, but also about maintaining strong international standards - such as by consistently trading in products that are free from illegality. On the other hand, competitor countries such as Cameroon, Central African Republic, Ghana, Guinea, Honduras, Liberia, Congo, Vietnam, China, and Myanmar are all preparing their own comprehensive legality systems, which are modelled on Indonesia's SVLK.

Abu Meridian from **Kaoem Telapak** stated that enactment of *Permendag* 15/2020 demonstrates a failed commitment to halt illegal timber trading, which relies on robust SVLK implementation. The system, which has been developed for more than 20 years thanks to the engagement of many parties, is based on core legality, traceability and sustainability principles. The system is applied from upstream wood producers to downstream timber industries and traders, including exporters. SVLK enforcement aims to provide legal certainty for Indonesia's timber products, both on the domestic and global markets. "Indonesia is well-reputed as a pioneer in timber sector reform, which was previously dominated by illegal practices. This success is recognized by the EU through its timber trade treaty with Indonesia: the FLEGT-VPA", Abu explained.

M. Kosar from the **Independent Forest Monitoring Network (JPIK)** said that this *Permendag* will lead to unrestricted exports of products without any guarantees of legality. "This means a wide-open risk of illegal logging and illegal timber trading. This is a threat that may harm Indonesia's timber products on the international market, and it will damage our credibility as a pioneer in improving forest governance", explained Kosar.

Adrianus Eryan from the **Indonesian Centre for Environmental Law (ICEL)** said that *Permendag* 15/2020 may decrease interest and incentives for the downstream timber industry to implement SVLK, which will lead to a setback in Indonesian forest governance.

“Business that are committed to sustainable management will be undermined by these changes and the ensuing legal uncertainty”, Adrianus said.

Syahrul Fitra from **Yayasan Auriga Nusantara** pointed out that Article 10 of VPA also states that Indonesia must keep enforcing the Timber Legality Assurance System (SVLK) for products that are exported to non-EU countries or sold on the domestic market. “The impact of eliminating V-Legal documentation as an export requirement in *Permendag* 15/2020 will lead Indonesia to violate the VPA with the EU”, said Syahrul.

The issuance of *Permendag* 15/2020 was based on limited public participation and ignored the existence of the Independent Forest Monitoring network as a key member of the SVLK framework. The *Permendag* also fails to take into account the impact of this change on the international credibility of SVLK, which has been built up with great effort in order to eventually win market recognition. “Through our public participation responsibilities, we must oppose the implementation of this regulation, which potentially gives a green light to illegal timber trading and will damage Indonesia’s forests.” concluded **Agung Ady**, from **Forest Watch Indonesia**.

Indonesia will risk rejection by international markets if it insists on delivering timber products from unclear sources. The risk of rejection is particularly high from the many countries that have adopted their own regulations to prevent the import of illegal timber onto their markets: the EU, the United States, Australia, Japan, Korea and now China, which is currently revising its Forest Law to include a ban on illegal timber trading.

Should this situation persist until the entry into force of *Permendag* 15/2020 on May 26 2020, the coalition anticipates a worrying setback for forest governance in Indonesia. The Coalition demands that the **President of the Republic of Indonesia immediately revoke or revise *Permendag* 15/2020**. This is in consideration of the fact that the regulation contravenes MOEF Regulation Number 30/2016 and potentially leads to legal uncertainty and disruption to business; that it leads Indonesia to breach its FLEGT-VPA commitment with the EU; that it will undermine trust from business actors who have complied with SVLK standards; and that it will potentially lead to a drop in Indonesia’s timber exports as market trust in Indonesia is lost.

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Notes for Editor:

- The CSO coalition for strengthening SVLK consists of eight member organisations that have a long-standing focus on Indonesian sustainable forest management.
- Indonesia's Timber Legality Assurance System (SVLK) aims to ensure that Indonesia's wood and wood products come from legal sources. Legality assurance is the foundation for sustainable forest management, so that all wood and wood products in Indonesia can be produced sustainably.
- FLEGT VPAs are bilateral agreements between the European Union (EU) and timber exporting countries, such as Indonesia, with the aim of improving forest governance and ensuring the legality of all timber and timber products exported from partner countries to the EU.
- The Ministry of Trade Regulation No. 15/2020 (Permendag 15/2020) on *The Provisions of Forest Industry Product Exports* will potentially violate Indonesia's commitment to Nationally Determined Contributions (NDC) under the 2015 Paris Agreement. Indonesia's NDC clearly emphasizes that forestry is the second largest sector that must contribute to Indonesia's emissions reduction efforts. The elimination of SVLK obligations for markets that are not sensitive to illegal logging and strong forest governance will create a legal loophole for loggers and facilitate timber exports without legality checks, which in turn will be a violation of Indonesia's NDC commitments. Therefore, this Permendag 15/2020 has the potential to violate international law. The Paris Agreement has been ratified into Indonesian National Law.
- SVLK is the cornerstone of the Voluntary Partnership Agreement (VPA) between Indonesia and the European Union. This Timber Legality Assurance System is used to guarantee the legality of Indonesian timber. Under the system, all products covered by the agreement must have a license of legal original in order to enter the European Union market. The Government of Indonesia enacted SVLK in 2009 with the issuance of Permenhut No. P.38 / Menhut-II / 2009 and started its implementation in September 2010. The regulations related to SVLK have been amended several times with the issuance of P.68 / Menhut-II / 2011, P .45 / Menhut-II / 2012, P.42 / Menhut-II / 2013, P.43 / Menhut-II / 2014, P.95 / Menhut-II / 2014 and P.30 / MenLHK / Setjen / PHPL.3/3/2016
- The requirements of V-Legal documentation for all wood product exports were previously regulated by the Ministry of Trade Regulation No. 25, 2016 on the *Exports of Forestry Industry Products*. This has been revised through Permendag No

84 / 2016, Permendag No 12/ 2017, and Permendag No 38 / 2017. Permendag No.15 / 2020 is annulling the provisions made in Permendag No. 12 of 2017.

- Some market countries are now clamping down on the risk of illegal timber entering their supply chains and are looking for reliable sources of responsible wood. Many have established import regulations to guarantee legality, such as:
 - **The European Union Timber Regulation (EUTR)** which requires all timber imports into the European Union to come from verifiable legal sources, and requires businesses to be able to trace their products from the initial source.
 - **Amendments of the United States Lacey Act** have been made to combat illegal logging practices by prohibiting the trade in illegal raw materials, including wood and wood-based products.
 - **The Australian Illegal Logging Prohibition Act (AILPA)** contains a prohibition on the import and sale of all types of wood products whose origin is unclear.
 - The revision of the **China Forestry Law, Article 65** stipulates that no entity or individual may buy, process, and transport trees in the knowledge that they are from illegal sources such as theft or deforestation.
 - **The Goho Wood / Legal Wood system implemented by the Japanese Government** requires those who export wood and wood products to Japan to conduct legality verification.
 - **The Act on the Sustainable Use of Timber and Creation and Management of Forest Resources Act issued by the South Korean Government** prevents the distribution or use of illegal wood inside or outside Korea.

- Indonesian timber exports with SVLK certification have increased dramatically since 2013: 2013: USD 6 billion, 2014: USD 6.58 billion, 2015: USD 9.84 billion, 2016: USD 9.26 billion, 2017: 10.93 billion, 2018: USD 12.13 billion (doubling 2013 within 5 years), 2019: USD 11.62 Billion (Declining due to global economic conditions, but still higher than 2013 and 2017). January 1st 2020 - March 17th 2020: USD 2.57 billion. Indonesia's strong position is threatened by Permendag 15/2020 - which should work to increase exports, not undermine them.

- SVLK certified products from Indonesia were the biggest winners in EU tropical wood market in 2019. Indonesian furniture led the way, with imports in 2019 increasing by USD 61.7 million vs the previous 12-month period. FLEGT Independent Market Monitoring data from September 2019 can be downloaded from <https://www.flegtimm.eu/index.php/eu-market-overview>

Chart 11: Largest gains in EU tropical wood and wood furniture imports - 12 months to Sep-19 vs 12 months to Sep-18

