



Submission No 13

Inquiry into Illegal Logging Prohibition Bill 2011

Name: Mr Deddy Saleh
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**AMBASSADOR
REPUBLIC OF INDONESIA
CANBERRA**

No. 13 /KEPPRI/V/12

Jerome Brown

Committee Secretary

Joint Standing Committee on Foreign Affairs, Defence, and Trade
Parliament of Australia

+61 2 62736017



Dear Mr. Brown

I have the honour to acknowledge receipt of your letter dated on 13 April 2012 regarding invitation for Indonesian Government to make written submission regarding Illegal Logging Prohibition Bill 2011.

AMBASSADOR

In terms of this, please find attached copy of written submission from the Government of the Republic of Indonesia for the Illegal Logging Prohibition Bill 2011, signed by Mr. Deddy Saleh, the Director General for International Trade, Ministry of Trade of the Republic of Indonesia. As advised, we also lodged the submission via online system to email address : jscfadt@aph.gov.au.

I wish you every success in the discharge of your exalted duties.

Jerome Brown

Committee Secretary

Joint Standing Committee on Foreign Affairs, Defence, and Trade
Parliament of Australia

Canberra, 2 May 2012

Yours sincerely,

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Ref: 163/DAGLU/SD/5/2012

Jakarta, 2 May 2012

Joint Standing Committee on Foreign Affairs,
Trade and Defense
PO Box 6100
Parliament House
Canberra ACT

Dear Chairman,

Subject: Inquiry into the Illegal Logging Prohibition Bill 2011

The Government of Indonesia (GoI) welcomes the opportunity to provide further comments to the Joint Standing Committee on Foreign Affairs, Trade and Defense concerning the Illegal Logging Prohibition Bill 2011 (the Bill) and we do hope that the concerns expressed will be taken into account.

1. GENERAL CONCERNS

As we have expressed on a number of occasions, the GoI shares the concern to protect our natural heritage, and we are committed to working with our trading partners to address environmental concerns to include illegal logging. As you are aware, Indonesia is committed to reducing Co2 emissions up to 26% by the year 2020 which far exceeds Australia's own target on Co2 emissions.

In meeting this objective, the GoI is engaging and cooperating with several trading partners on programs and schemes oriented to achieving sustainable economic and social growth that takes full account of environmental concerns. With regard to the forestry sector, this includes the introduction and implementation of laws for the protection natural conservation areas; the promotion of certification schemes to protect the legitimate trade in forest products as well as developing plantations on degraded lands.

The need to balance out social and economic development in harmony with the environment is a key concern. In this respect, the GoI would like to highlight the importance of forestry and forest sector in Indonesia, which employs close to four million Indonesians often in rural areas where other forms of employment do not exist. It also increasingly offers rural populations social support schemes to include hospital and schools.

Unfortunately, the GoI is of the view that the Illegal Prohibition Bill is unlikely to contribute to the efforts underway and may indeed be detrimental as it is likely to result in a deflection of the legitimate trade to other regional markets.

The implementation of the Bill is also likely to undermine the development of trade between Indonesia and Australia based on our respective mutual interests. In this respect, reference is made to the recent efforts of the GOI to accommodate and resolve the problem faced by Australia during the self-imposed ban on beef exports to Indonesia.

The GOI therefore considers that Australia should engage fully with Indonesia and support the preservation of our natural heritage which offers the best prospects of limiting illegal logging.

2. SPECIFIC CONCERNS

a. Lack of trade certainty in terms of product coverage and the detailed provision to apply the law.

In order to protect the legitimate trade, it is crucial that the scope of this bill be set out and that loose terminology such as "regulated timber products" be addressed and resolved in consultation with, and taking full account of the concerns of Australia's major trading partners. This is essential in that the trade chilling effect of the introduction of a bill, which would also lead to criminal prosecution for a trade that remains undefined, is obvious and very damaging

The negative affect on legitimate trade should also not be underestimated bearing in mind that timber products commonly have long and complex chains of supply with mixed sources from different locations and different kinds of timber. To track those multiple sources and wood used in timber products would create unnecessary burden and extremely expensive. In this regard, it is important to ensure that implementation of the Bill does not impose an unnecessary burden and cost either on the Indonesian exporters or the Australian importers.

It is for this reason that the GOI has recommended the deferral of the legislation until 2015 to provide time to ensure the legislation will not have unintended consequences that will unnecessarily harm the mutual trade between our two nations. Furthermore, the three years of adjournment will provide time for proper consultation between both countries including detail clarification as well as period of adjustment for the Indonesian producers/exporters to comply with the regulation.

b. Cooperation should be focused on certifications schemes in Indonesia to include Indonesian Timber Legality and Assurance System (SVLK)

In previous submission's to the Senate Inquiry, the Gol proposed that the SVLK (Sistem Verifikasi Legalitas Kayu), be used to provide the necessary assurance that Indonesian timber products are produced legally and sustainably. This system is already recognized by the European Union and deserves the full support of Australia as one of our closet trading partners.

In addition, should the SVLK not meet the specific concerns of Australia, the Gol has already expressed its willingness to work jointly with the Government of Australia to develop an approach designed to ensure that timber products legally imported into Australia are legally produced and sourced from the legitimate trade. The Gol would welcome such cooperation in meeting the objective of eradicating illegal logging, which could be achieved within the framework of the existing Indonesian laws.

c. Concerns on compliance with the WTO

Although the GOI prioritizes the resolution of trade issues through a bilateral approach, growing concerns are being expressed by Indonesian stakeholders that the Bill maybe inconsistent with Member obligations under the WTO; and that the Bill may represent an effort to use environmental concerns as a guise for protectionism.

Indonesia considers Australia to be one of our country's most important trade partners, and our goal, expressed on many occasions, is that this partnership should expand and flourish in the years ahead. We believe the draft Bill should not undermine the bilateral effort to strengthen cooperation in various field including bilateral trade.

We look forward to due consideration of this letter and its contents from our Australian partners, in the hope that we can reach a mutually acceptable agreement on these important trade issues.

Yours sincerely,



Deddy Saleh
Director General

Cc.:

1. Minister of Trade;
2. Minister of Forestry;
3. Minister of Industry;
4. Ambassador of the Republic of Indonesia to Australia, Canberra;
5. Ambassador of Australia to Indonesia, Jakarta;
6. Director General of International Trade Cooperation, MoT;
7. Director of Trade Defense.