

Special Issue :

ICOMS2022

The 3rd International Conference on Management and Science

Website :

<http://www.openjournal.unpam.ac.id/index.php/SNH>

Legal And Sustainable Timber Trade Policy Analysis

Yoga Prayoga¹⁾ and Sugiyanto²⁾

Pamulang University, Indonesia

E-mail: ^{a)}yogaprayogakemenhut@gmail.com

^{b)}dosen00495@unpam.ac.id

Abstract: Legal and sustainable timber trade policies have proven to improve sustainable forest governance, business actors are more orderly in administration, and in some local governments there have been regulatory improvements to make it easier for businesses to obtain SVLK. With the implementation of legal and sustainable timber trade policies, it can improve the economy of the forestry sector that is *socio-culturally accepted* and pays attention to aspects of ecological sustainability (*ecologically sustainable*).

Keywords: trade policy, legal timber, sustainable

INTRODUCTION

Indonesia is awarded forest and water areas reaching 125.9 million hectares or 63% of Indonesia's land area, where the forest area consists of: conservation forests, protected forests, and production forests. The production forest is divided into 26 Million Hectares of Fixed Production Forest, 29 Million Hectares of Fixed Production Forest, and 12 Million Hectares of Convertible Production Forest.

In order to promote the general welfare as stated in alenia IV Preamble to the 1945 Constitution and carry out the mandate of Article 28 H and Article 33 of the 1945 Constitution, the Ministry of Environment and Forestry (KemenLHK) provides opportunities for all citizens to be able to obtain the greatest benefit from the natural wealth in Indonesia in a together, equitable, sustainable and environmentally sound efficiency, and the use of natural wealth must pay attention to environmental aspects.

For the balance of managing the economy, managing the environment, and managing social, the Jokowi-Amin cabinet set 5 work priorities, namely HR Development, Infrastructure Development, Economic Transformation, Trimming Regulatory Constraints, and Simplifying Bureaucracy. This is done, among others, by the issuance of Job Creation Law Number 11 of 2021 where the Directorate General of PHL (Sustainable Forest Management) harmonizes more than 120 regulations related to PHL into one regulation, namely the Regulation of the Minister of Environment and Forestry Number 8 of 2021. In accordance with the President's Nawacita, namely increasing people's productivity and competitiveness in the international market, as well as the efforts of the Ministry of Environment and Forestry in supporting Sustainable Development Goals (SDGs) Number 8 (*Decent Work and Economic Growth*) and SDGs Number 13 (*Climate Action*), then the Ministry of Environment and Forestry together with relevant ministries issued legal and sustainable timber trade



policies. With the hope of increasing productivity, value and market access of Indonesian forest products.

In the process of preparing PHL and Environmental Development policies, steps are taken in the form of *common discourse* (collection of ideas), scientific base (scientific studies), *rules base* (laws and regulations), practical base (existing practices), *evidence base* (field findings), and finally choosing the best option (*best practice*). The Directorate General of PHL spawned the 5 Pillars of PHL Concept which consists of Regional Certainty, Business Guarantees, Productivity, Product Diversification, and Increased Competitiveness. The realization of the 5 Pillars Concept is carried out through the reconfiguration of forest management where the forest as an ecosystem unit provides opportunities for social forestry management and forest utilization business permits, where landscape management can be given through environmental approvals and of course pays attention to aspects of social management, environmental management, and economic management.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

According to Sugiyanto (2020) Marketing is a social and managerial process in which individuals and groups get what they need and want by creating, offering and exchanging valuable products with other parties. According to Kotler in sugiyanto et al (2020) marketing management is the art and science of choosing targets and achieving, retaining, and growing customers by creating, delivering, and communicating superior customer value. Wijoyo et al (2020) define international marketing as marketing whose operations cross the boundaries of more than one country. Global marketing is a marketing activity by a global company that has a global business with a global marketing strategy, global markets as well as global products and standards in various countries

With the current technological advances, global marketing is one of the important factors for every company to enter the global market, besides that global marketing is also used by international companies to increase consumers' purchasing power of their products, which will also affect the development of the company

Foreign trade is one of the primary instruments in running the wheels of the economy, liberalizing trade both in the context of goods (trade-in-goods) and services (*trade-in-services*). Foreign trade is certainly carried out with cooperation that must be able to overcome obstacles that reduce competitiveness for national products (Jose, 2021).

Based on the Regulation of the Minister of Environment and Forestry Number 8 of 2021 the Legality and Sustainability Verification System (SVLK) is a system to ensure the credibility of guaranteeing the legality of forest products, traceability of forest products, and/or the sustainability of Forest management.

Certification is a tool to assess a management unit, both forest and industry, whether it has run with the rules of transparency, obeying rules and accountability to ensure *long-term* business continuity (sustainability) based on established standards. There are two types of certifications that are required for forest management or timber industry in Indonesia, namely Sustainable Production Forest Management Certification (PHPL) and Timber Legality Certification (SLK). (Dipodiningrat, 2017)

The Timber Legality Verification System (SVLK) is a policy instrument to combat illegal logging with a soft approach, as a complement to the hard approach, namely law enforcement. In the implementation of SVLK, improvements are made to the administration and administration of timber through a system that can be monitored by all parties and prioritizes credibility in its implementation. Timber is called legal when it meets all the requirements contained in the standards, criteria and indicators of verification methods and norms that are compiled and agreed upon by the parties concerned (Maryudi et al., 2021).

International trade that is carried out certainly has different requirements and rules in each country in carrying out export and import activities that must be obeyed by the cooperating countries. Related to the news of illegal logging and *illegal trading* in the international market, it encourages the demand for timber which demands *the* legality of timber from producing countries, including Indonesia. A number of countries have enacted

regulations or regulations to prevent the entry of illegal timber, such as the European Union with the *EU Timber Regulation*, the United States with the *Lacey Act* (Suryandari et al, 2017).

According to (Jose, 2021), the existence of FLEGT and SVLK licenses has helped increase the value of Indonesia's exports. The increase is because the Timber Legality Verification System (SVLK) has succeeded in helping to reduce illegal logging and illegal timber trade, so that it can indirectly provide national economic benefits. Importers from abroad said that increasing consumer awareness of legal and sustainable products is one of the reasons why this verification system is important to have for every Indonesian exporter.

The implementation of the Timber Legality Verification System (SVLK) is in line with the European Union's timber regulation scheme through the *European Union Timber Regulation* (EUTR) which serves to ensure that wood products and raw materials are obtained or derived from sources whose origins and management meet the legality aspects. This is supported by the signing of the FLEGT-VPA (*Forest Law Enforcement, Governance and Trade – Voluntary Partnership Agreement*) between the Republic of Indonesia and the European Union on September 30, 2013 (Ichwan et al, 2017).

In addition to being aimed at credible, efficient and fair legality verification tools, and policy instruments to encourage *good forest governance*, various supranational and national initiatives related to illegal logging are also encouraged as tools to increase the competitiveness of forestry products. This is reflected in the addition of the "trade" (T) aspect so that it becomes FLEGT. The issue of increasing competitiveness and expanding market share also arose at the beginning of VPA negotiations between Indonesia and the EU. The length of the negotiation process is due to the Indonesian government's caution over the potential negative impact of VPA on the national timber industry (Maryudi et al., 2021). In a joint press release of the first phase of negotiations of the VPA in 2007, it was emphasized that the Government of Indonesia affirmed Indonesia's interest in increasing the market share of Indonesian products in the EU, and not the other way around being a barrier modality for timber exports. The aforementioned explanation is in line with the definition of marketing in the opinion of Stanton (2001) in (Wijoyo et al., 2020) that the definition of marketing is an overall system of business activities aimed at planning, pricing, promoting and distributing goods or services that satisfy the needs of both existing and potential buyers.

The same is also reflected in several regulatory changes related to the export requirements of forestry industry products that require V-Legal Documents. The Ministry of Trade first regulated the V-Legal provisions for completing customs documents for the export of wood products (processed products and finished goods, rattan) in 2012 through the Regulation of the Minister of Trade Number 64/M-DAG/PER/10/2012. V-Legal documents can be issued to industries that have obtained SLK certificates, while for non-SLK industries, an inspection mechanism is applied before product shipment. In 2013, amendments were made to the rules, with the Regulation of the Minister of Trade Number 81 / M-DAG / PER / 12/2013, which adopted a *phased-approach*. In the regulation, the products of the forestry industry are divided into 2 groups with different schedules of implementation of V-Legal requirements. It is intended to allow time for small and medium-sized industries, and craftsmen, in the preparation of VLK certification. After the regulation, there were several amendments and new rules (including the abolition of the V-legal requirement), until the issuance of the minister of trade regulation number 84/M-DAG/PER/12/2016 on April 15, 2016. In the regulation, V-Legal Documents are required for all exports, including for furniture and handicrafts. In the Regulation of the Minister of Trade Number 84/M-DAG/PER/12/2016, the Ministry of Trade further made V-Legal a mandatory export document for pulp, plywood, woodworking, and furniture.

The Voluntary Partnership Agreement on Forest Law Enforcement Governance and Trade or commonly known as FLEGT- VPA is part of the European Union's efforts to eradicate illegal logging that adversely affects the environment. This commitment began to be realized since the *FLEGT Action Plan* in 2003. Its application is carried out through a bilateral cooperation framework. Partner countries are expected to implement good forest governance and implement the principles of sustainable economic development (*EU FLEGT Facility*, 2011 in Hariyadi, 2021)

Through this FLEGT VPA, partner countries are also asked to continue to develop a control system in order to verify and guarantee the legality of timber to be exported to the European Union. Each country also has its own system development, and the European Union has committed to assist in the development and improvement of the system of its partner countries

The FLEGT-VPA agreement between the Republic of Indonesia and the European Union is a manifestation of a joint commitment to combat illegal logging and its trade as well as improve law enforcement and forest governance. Through this agreement, the mechanism of trade in timber products between the two countries is reorganized by ensuring that only *verified legal* timber products are exported by Indonesia to the European Union market (28 countries). Through a long process and various evaluations of the implementation of SVLK in Indonesia, as well as readiness to receive the FLEGT License from the European Union, it was decided that Indonesia could issue a FLEGT License on November 15, 2016. With the decision, the V-Legal Document issued for the purposes of the European Union since November 15, 2016 will serve as a FLEGT License (Muhammad Ichwan, Sugianto, Hermawan, Agung Puji W, Muhamad Kosar, 2017).

METHODS

The type of method used is descriptive research with a qualitative approach, this research method aims to describe the results of the research in the form of data obtained in accordance with company conditions in the form of non-statistical data with qualitative data collection methods such as interviews and documentation. Qualitative descriptive research prioritizes data collection with observation and interview methods.

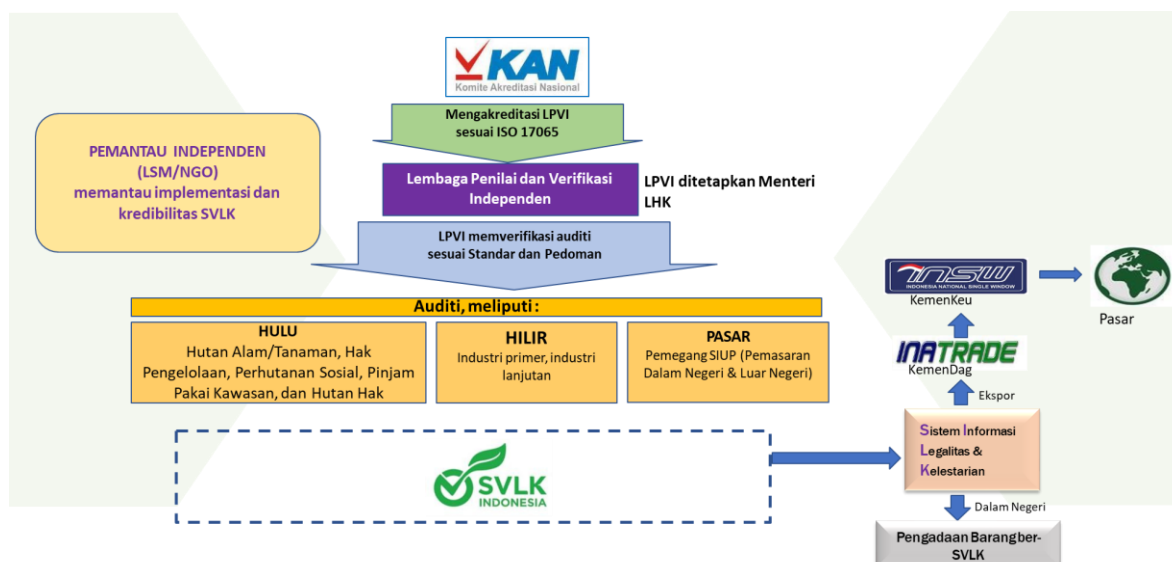
RESULT AND DISCUSSION

In order to support sustainable forest management from upstream, downstream, and the market continues to be adjusted to regulatory and market developments. In this process, it has been carried out consistently by the Minister of Forestry from the era of Minister Prakosa, Minister MS Kaban, Minister Zulkifli Hasan, to Minister Siti Nurbaya.

And for greater acceptance, a voluntary partnership related to law enforcement and forestry governance (*Forest Law Enforcement Government and Trade – Voluntary Partnership Agreement* (FLEGT-VPA) has been implemented. FLEGT VPA with the European Union ratified through Presidential Regulation Number 21 of 2014 and FLEGT VPA with the United Kingdom will be ratified through a Presidential Regulation.

To prove that the products produced by Indonesia come from legal and sustainable sources, the Ministry of Environment and Forestry together with relevant technical ministries and involved *stakeholders* developed the SVLK system where the business process has been accepted by the international community. And the weight points of this SVLK business process are:

- a. Verification is carried out by accredited independent institutions using national regulations with due regard to international policies.
- b. The verification process by independent agencies is monitored by independent monitors, this is what has become the high acceptance of SVLK in the international world.
- c. The service process of issuing SVLK certificates and export documents is carried out online through the SILK system which is integrated with the INATRADE and INSW portals.



Source : search data 2022

Figure 1. Business Process Legality and Sustainability Verification System (SVLK)

Indonesia is the first country licensed by FLEGT which is recognized by the European Union. Nevertheless, world developments note that several countries are in the process of implementing and negotiating FLEGT. Indonesia is also not the only country that implements mandatory certification, because mandatory certification schemes are also implemented in several countries in the world..



<http://www.flegtlicence.org/vpa-countries>

Source : search data 2022

Figure 2. Distribution of producing countries that process FLEGT with the European Union

Licensing [Indonesia](#)

Implementing

[Cameroon](#), [Central African Rep](#), [Ghana](#), [Guyana](#), [Honduras](#), [Indonesia](#), [Liberia](#), [Rep. of the Congo](#), [Vietnam](#)

Negotiating

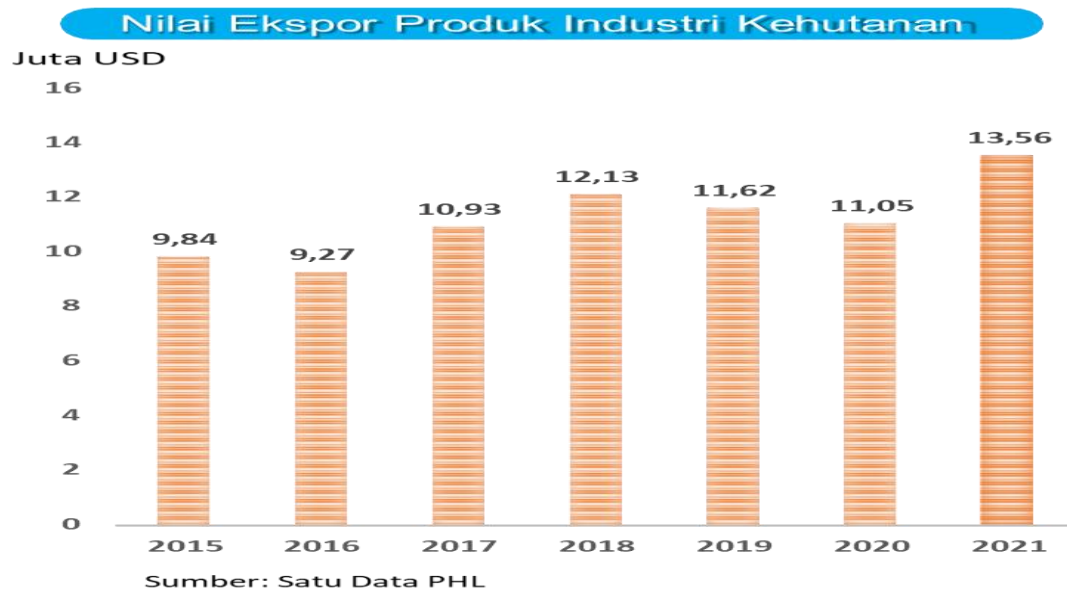
[Côte d'Ivoire](#), [Democratic Rep of the Congo](#), [Gabon](#), [Laos](#), [Malaysia](#), [Thailand](#)

Based on analysts and evaluations related to the effectiveness of SVLK policy implementation, the following results were obtained:

- The occurrence of acceptance of export products, even during the pandemic, exports of forestry industry products did not experience significant obstacles.
- Partiality to MSMEs through the facilitation of SVLK and its export documents as well as assistance to MSMEs by involving local governments and stakeholders.
- LKPP issues legal and sustainable procurement policies, and for now there are still limited furniture and paper products.
- In order not to burden the people's wood, SVLK is published independently by the owner of the wood which used to be known as DKP.
- To limit the flooding of imported products, a due diligence process is needed to ensure that woodworking products/raw materials come from reliable sources (legal/sustainable).

f. For the increasing acceptance of forestry industry products, synergy between the government and the business world and non-governmental organizations is needed.

The following figure shows evidence of an increase in exports and an increase in recipients of Indonesian forest products that implement legal and sustainable timber trade policies.



Source : search data 2022

Figure 3. Export Value of Forestry Industry Products in 2015 – 2021

CONCLUSIONS

Legal and sustainable timber trade policies have proven to improve sustainable forest governance, business actors are more administratively orderly, and in some local governments there have been regulatory improvements to make it easier for businesses to obtain SVLK.

It is necessary to massively socialize legal and sustainable timber trade policies by involving *stakeholders*, namely the government, academics, business actors, NGOs, etc.

With the implementation of legal and sustainable timber trade policies, it can improve the economy of the forestry sector that is *socially accepted* and pays attention to *ecologically sustainable* aspects).

ACKNOWLEDGEMENT

The study was conducted on the basis of descriptive and reference qualitative analysts using the mandeley application.

REFERENCE

- Dipodiningrat, S. (2017). *Forest Management* (I). Main Library
- Hariyadi, R. P. (2021). FLEGT License in Indonesia-European Union Cooperation: Norm Life Cycle Analysis. *Global & Strategic Journals*, 15(2). <https://doi.org/10.20473/jgs.15.2.2021.218-236>
- Jose, H. S. (2021). Analysis of the Impact of FLEGT VPA on Indonesia's Forest Exportsamid the EU Green Deal. *Commercial Scholars*, 5(1). <https://doi.org/10.52391/jcn.v5i1.573>
- Muhammad Ichwan, Sugianto, Hermawan, Agung Puji W, Muhamad Kosar, D. T. F. (2017). *7 years monitoring the wood processing industry* (1st ed.).
- Sugiyanto, . (2020) *Marketing Management : Inspiring The Salesmanship*. Yayasan Pendidikan dan Sosial Indonesia Maju (YPSIM), Banten. 9786237815853 ISBN
- Sugiyanto, L. N., & Wanten, I. K. (2020). Business Feasibility Study of Publishers of the Advanced Indonesia Education and Social Foundation (YPSIM) Banten 2020. *Prime Print*.

- Wijoyo, H., Sunarsi, D., Indrawan, I., & Cahyono, Y. (2020). *Marketing Management in the Era of Globalization* (Issue C).
- Yosefi Suryandari, E., Djaenudin, D., & Alviya, I. (2017). Perceptions of small-to-medium-scale timber industry players towards the readiness of SVLK implementation. *Journal of Forestry Policy Analysis*, 14(2). <https://doi.org/10.20886/jakk.2017.14.2.149-164>