

January 15, 2010

BY HAND DELIVERY

The Honorable Gary Locke
Secretary of Commerce
Attention: Import Administration
APO/Dockets Unit, Room 1870
U.S. Department of Commerce
International Trade Administration
14th Street & Constitution Avenue, N.W.
Washington, D.C. 20230

Case No. C-560-824
Total Pages: 4
Pursuant to Section 751(a)(1) of the Act
AD/CVD Office 6
Investigation

PUBLIC DOCUMENT

Re: Certain Coated Paper Suitable For High-Quality Print Graphics Using Sheet-Fed Presses ("Certain Coated Paper") from Indonesia: Petitioners' Supplemental Comments on the GOI's and Indonesian Respondents' December 28, 2009 Initial CVD Questionnaire Response

Dear Secretary Locke:

On behalf of the Sierra Club, the Environmental Investigation Agency and Rainforest Action Network, we write to express our support of a thorough investigation into possible countervailable subsidies provided to producers/exporters in Indonesia of certain coated paper by the Government of Indonesia. This investigation is closely tied to a broad range of critical domestic and international environmental concerns. Endemic problems with governance and business practices in the Indonesian pulp and paper sector continue to be a driver of deforestation, rising greenhouse gas emissions, loss of biodiversity, and adverse social and human rights impacts. These practices contribute to unfair and unsustainable trade and negatively impact domestic companies and workers.

The paper and pulp industry in Indonesia has a documented track record of illegal logging and large-scale deforestation. Indonesia is home to the third largest tropical forest after Brazil and the Congo Basin, yet as of 2007, roughly half of all forested areas were degraded or in critical condition.¹ Asia Pulp and Paper (APP) subsidiaries are logging and clearing, in some cases illegally, in the carbon-rich peat swamps in Sumatra, Kalimantan, and Papua. These practices have played a major role in Indonesia's standing as the world's third-largest emitter of greenhouse gases.²

Logging companies continue to build roads in tracts of natural forest, opening up the forest to poaching and illegal timber harvest. Since 1990, approximately 25 percent of Indonesia's forests have been cleared.³ Endangered species such as the Sumatran tiger, orangutan, rhinoceros and elephant are on the brink of local extinction as their habitats disappear and the isolated existing

populations become further prone to poaching. In addition, the loss of forest cover triggers infrastructure development, settlements, fires, population dislocation and social conflict. The World Bank estimates that illegal logging costs developing nations like Indonesia close to \$15 billion in lost assets and revenue annually.⁴

This investigation comes at a critical time – in December 2009, the nations of the world gathered in Copenhagen for the United Nations Framework Convention on Climate Change (UNFCCC) to negotiate a deal to reduce greenhouse gas emissions. Financing mechanisms for reducing emissions from deforestation and degradation (REDD) programs was a prominent topic of these talks, illustrating a global consensus for urgent action to protect forests and mitigate climate change. President Obama has put forest protection high on his administration's climate agenda, committing \$1 billion in fast-track funding during Copenhagen.

The U.S. has shown leadership on tackling illegal logging. In 2008, the U.S. amended the Lacey Act to include plants and plant products, providing basic transparency for wood shipments and taking action against the import of illegally sourced wood. This groundbreaking law is changing the way companies think about their supply chains and timber and wood fiber sources. In contrast, the lack of reliable and systematic data around Indonesian timber harvest and trade hinders efforts to build a fair, sustainable and responsible pulp and paper sector.

Illegal logging is an extensive, systematic problem in Indonesia. A 2007 United Nations Environmental Program report estimated that 73 to 88 percent of timber logged in Indonesia was illegally sourced.⁵ A more recent Human Rights Watch estimate puts that number at a lower, yet similarly startling 50 percent.⁶ According to the Indonesian government, timber is illegally harvested from 37 of the nation's 41 national parks. At current rates of cutting, lowland production forests in Kalimantan and Sumatra may disappear completely by 2010.⁷

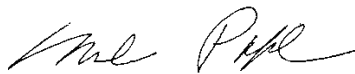
Assessing the state of illegal logging in Indonesia is further complicated by lack of reliable information and fraud. Between 2003 and 2006, the discrepancy between official reported wood supply and consumption by the Indonesian forest industry equaled 30 million cubic meters per year.⁸ In 2008, Chinese reports listed over 22 thousand cubic meters for log imports from Indonesia, yet Indonesian sources only reported 4 cubic meters of logs exported to China.⁹ Credible reporting is further hindered by rampant corruption. Between 2003 and 2006, the Indonesian government lost nearly \$2 billion a year in uncollected royalties, unacknowledged subsidies and tax evasion due to illegal logging practices.¹⁰ Judicial impunity is no less a problem. During December 2008, in Sumatra's Riau district, the center of national pulp and paper production, legal cases involving illegal logging, bribery and fraud against 13 timber and pulp companies were dismissed to public outcry.¹¹

The growing global demand for timber and timber products is driving ecologic, economic and socially devastating logging practices. Illegally logged timber is invariably cheaper than legitimate products, distorting global markets and undermining incentives for sustainable forestry. A study published by the American Forest & Paper Association in 2004 estimated that global prices for wood and wood products were depressed by between 7 and 16 percent. Illegally sourced wood products are plagued with issues such as tariff misclassification, subsidies, and fraudulent labeling. Responsible industry and governments are at a severe disadvantage when these practices are left unchecked.

By working with on-the-ground experts in the environmental and logging fields, the Department will be better equipped to establish a complete record on the legality of the timber supply used to produce certain coated paper. The Department of Commerce must request and receive complete information regarding the harvest and trade of Indonesian timber products to ensure that the U.S. is not complicit in the destruction of valuable carbon sinks and ecosystems.

The devastating speed and intensity of illegal and irresponsible logging leaves no time to hesitate - failing to curb its effects now may result in irreversible environmental damage. The environmental community eagerly anticipates the findings of this investigation. Better data, increased transparency, and coherent, enforced laws are crucial to maintaining the values of forest ecosystems and a level playing field for fair and responsible business. This moment of historic crisis is an unprecedented opportunity to rectify the illegal harvest and trade of timber.

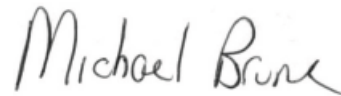
Sincerely,



Carl Pope
Executive Director
Sierra Club



Allan Thornton
President
Environmental Investigation Agency



Michael Brune
Executive Director
Rainforest Action Network

¹ PEACE. *Indonesia and Climate Change: Current Status and Policies* 2007. p 12.

² *Ibid.*, p 36.

³ World Resources Institute. *Project Politico: Palm Oil, Timber & Carbon Offsets in Indonesia*.

⁴ World Bank. *Strengthening Forest Law Enforcement and Governance: Addressing a Systemic Constraint to Sustainable Development*. 2006.

⁵ Christian Nellman, et al. *The Last Stand of the Orangutan – State of Emergency: Illegal Logging, Fire and Palm Oil in Indonesia’s National Parks*. United Nations Environment Program and United Nations Economic, Social and Cultural Office. February 2007.

⁶ Human Rights Watch. *Wild Money*. 2009. p 20.

⁷ Department for International Development. *Crime and Persuasion: Tackling Illegal Logging, Improving Forest Governance*. 2007. p 12.

⁸ Human Rights Watch. *Wild Money*. 2009. p 14.

⁹ ITTO. *2008 Annual Review*, p 24.

¹⁰ Human Rights Watch. *Wild Money*. 2009. p 1.

¹¹ “NGOs plan to sue the police for closing cases.” December 24, 2008. Eyes on the Forest.

CERTIFICATE OF SERVICE

I hereby certify that on January 15, 2010, the foregoing submission was served by being placed in first-class mail addressed to the following parties:

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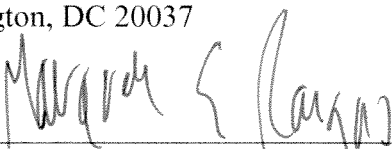
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