

Chapter 1

Introduction

This work centers on the investigation of the rise of the forest conflict phenomenon in East Kalimantan during Indonesia's early stage of democratisation (1998-2001), with the case studies of Matalibaq and Long Bagun Ulu, where the conflicts involved forest companies and indigenous Dayaknese. This introductory chapter presents the background of the study, research questions, theoretical tools used in analysing such phenomenon, the methodology applied in the field research as well as the structure of this study.

Indonesia is the third largest forested and megabiodiversity country in the world with a total forest area of some 92 to 109 million hectares (Barber 1997), third only to Brazil and Democratic Republic of Congo (FWI/GFW 2002, Latin 1999). Although Indonesian territory constitutes only 1.3% of the world's territory, its megabiodiversity contributes to 10% of world's flowering plants, 12% of world's mammals, 17% of world's reptiles and amphibians, and 17% of world's birds (Barber, 1997). The Indonesian rainforest preserves endangered species as well as local culture and has been the home to indigenous peoples for hundreds of years. It supplies food and other sources of livelihood for between 40 and 70 million people that are directly dependent on forests (FAO, www.fao.org; cf. Lynch and Talbott 1995 [in Munggoro and Aliadi 1999], Poffenberger 1997), tens of millions of cubic meters of logs per year, and multi-purpose non-timber forest products (NTFPs). With regard to these functions and potentials, the Indonesian rainforest attracts various stakeholders with various, often conflicting interests.

One of the most important forest stakeholders is the incumbent government. For years after independence (1945), however, the incumbent government did not pay much attention to the abundant forest resources. This negligence was mainly due to the fact that the Indonesian government was focussing on solving the prevalent political problems at that time. During 1945-1949, the newly born government struggled to attain full independence as it had to defend the Republic against neo-colonial power through post-independence revolution struggles as well as to undertake active diplomacy abroad (Jenkins 1983). Successive parliamentary cabinets established during Indonesia's liberal democracy (1950-1959) similarly struggled in laying a new foundation for the Indonesian democracy as well as in suppressing regional rebellions (Amal 1992). During Guided Democracy (1959-1965), President Soekarno posed "politics as a commander"¹ and focused his activities on mobilising people's energies and in balancing the power struggle between the Indonesian Communist Party and the military (Crouch 1988). All of these problems and political activities contributed to the negligence of the

¹ The supremacy of politics above other aspects. It was stated in Indonesian as *Politik Sebagai Panglima*.

abundant forest resources in the country, particularly in the Outer Islands (outside Java, Madura, and Bali).

Massive forest exploitation in Indonesia commenced only after the New Order (Soeharto's) government assumed power in 1966 (until 1998). According to the new paradigm employed in managing the country, "Development, yes -- Politics, no" (Gaffar 1992:41), the New Order government treated forest resources as an important economic source for foreign exchange to finance development programs. The most important step undertaken by the government was the promulgation of the 1967 Basic Forestry Law and the enactment of laws on foreign and domestic investments. The forestry law declared almost all forest areas as state forest; the state therefore claimed its ultimate rights to control the forest resources across the archipelago (Lindayati 2000). This included the state's rights to "sell" forestland to businessmen through the provision of forest concession rights licenses. The foreign and domestic investment laws provided greater chances to international and domestic business communities to exploit the Indonesian natural resources, including forest resources. In the course of forestry development, however, domestic businessmen later dominated the timber business, mainly because this industry did not require advanced technologies such as the mining and oil industries at that time (Barber 1997).

By means of these measures, the Indonesian rainforest has become a substantial source of foreign exchanges and a new source of state revenues. Until the last decade (prior to the collapse of the New Order regime), the contribution of the timber industry constituted about 20% of the overall foreign exchanges (Kartodihardjo, 1999). Compared to other sources of revenues generated from natural resources such as oil, however, the government gained little profit in the exploitation of forest resources. Whereas the government collected about 85% of the total rents in the oil sector, the forestry sector made up only about 8-30% (Barber, 1997). Although a significant proportion of the timber rent was not collected by the government, government officials claimed that the timber industries accelerated the growth of local economies, provided trickle down effects, and developed backward regions. Nonetheless, a study carried out in East Kalimantan found that the impact of the logging industry to the regional and local economy had been low (Walhi, in Barber 1997).

Indonesia's New Order government also struggled for its survival. Hence, the government utilised all potential natural resources available in the country. The forest resources were of particular importance. Soeharto's government used forest concession arrangements as a means of political patronage (to reward clients, to coopt potential opponents) and to fund civilian and military bureaucracies to maintain loyalty. In the early years of the course of forest exploitation in East Kalimantan, many forest concession licenses were handed to military-owned companies or foundations. In the following years, businessmen connected to Soeharto's inner circle played a significant role in the timber industry, including Soeharto's family and cronies. Their roles were important not only politically but also economically. In the late Soeharto era, "virtually all the top players in the

timber industry [were] connected personally and financially with members of the president's family" (Barber 2000). By means of such arrangements, Soeharto was able to advance his political ambitions and his economic agenda. During economic crisis, for instance, when a bank owned by a foundation connected to the Soeharto family lost \$430 million, Soeharto asked the timber tycoons to rescue the bank by compensating the loss. The success of Soeharto in this case portrays the personalistic and patron-client form of the regime. If necessary, "the 'excess rents' accumulated by logging conglomerates were tapped to resolve a significant crisis for the financial stability and credibility of the regime" (Barber 2000).² This is not surprising as during his reign, Soeharto had built a sort of predatory state—a concept referring to the state's interest in collecting revenue, rent-seeking, generating income, tax, either from natural resources or from certain business groups³—to capture rents from various potential sectors, including the forestry sector.

The forest policies also served as a vehicle to spread the ideological, political, and security doctrines of the New Order. The Pancasila state ideology and the *integralistik* state doctrine as well as the military's dual function (*dwifungsi*) and territorial commands were some instances that were promoted or supported by New Order's forest policies. In addition, forestlands in the Outer Islands were treated as "reserved land" for the densely populated islands of Java, Madura, and Bali by promoting a transmigration program (Barber 2000).

In short, during the New Order regime, Indonesian rainforest had been "a key arena for the New Order's program of economic development, political control, and social and ideological transformation" (Barber 1997). The Indonesian rainforest had been used as a vehicle to advance the regime's political and economic agendas.

The most critical practice of the New Order government in exploiting the Indonesian rainforest was the arbitrary provision of forest concession areas to forest companies. About 50% of the Indonesian rainforest has been designated as production forest to be granted to logging companies through forest concession rights arrangements (HPH licenses), particularly to those connected to Soeharto's inner circle. Up to six million hectares of forest concession area could be obtained by one single company, as was the case of the Barito Pacific Timber Group (BPTG). Moreover, the Government Regulations No. 21/1970 and No. 28/1985 issued by the government prohibited indigenous people of accessing their customary lands. In order to implement these regulations and to protect the regime's allies (forest companies) exploiting the forest, the government used force and coercion (Lindayati, 2000) through the bureaucracy and security apparatus.

Having evoked a steep increase of deforestation by supporting logging companies (HPH companies) in forest degradation, the Indonesian government

² For rent-seeking and patron-client nature of Soeharto's regime, see Robison 1986, Brown 1999, Brown 2001.

³ See Moselle and Polak 1997, Lips 2000, Boaz 1999, Robinson 1999, Bergessen *et.al.* 2000, Fatton Jr. 1992.

introduced the industrial timber estate scheme (HPHTI/HTI licenses) in 1984 to rejuvenate degraded forests and to sustain timber supplies (Walhi 1996). Paradoxically, industrial timber estate companies (HTI companies) were granted rights not only to lumber the remaining timber stands in the stubbed forests but also to lumber the virgin forests and to clear the forestlands before the area was planted with fast-growing timber species. Again, HTI licenses were mostly given to Soeharto's cronies or those connected to Soeharto's families and inner circle.

These two schemes (HPH and HTI) spawned reactions from those living in and around the forests whose livelihoods relied heavily on forest resources. Tensions increased, and conflicts over access and control of forest resources between local communities and HPH/HTI companies were inevitable. As the New Order government was equipped with a repressive bureaucracy and security apparatus, however, the conflicts could be easily suppressed. In East Kalimantan, some local people defied the forest companies acquiring customary (*adat*) land. However, in most cases local people were afraid to challenge the forest companies. Instead of confrontation, local people preferred to look for other forestlands that had not been exploited yet.

As time progressed, the increasing expansion of forest companies to the forestlands imposed growing threats to local people and their sources of livelihood. Conflicts arose because the locals, particularly the Dayaknese of East Kalimantan, regarded the forests exploited by the companies as their properties (*adat* land).

The collapse of New Order regime in May 1998 changed the situation and entailed a change in the power constellation. A common syndrome of regime change from authoritarian to democratic state power is that the state becomes paralytic politically and bankrupt economically. Pereira *et.al.* maintained that with this syndrome, new democracies faced double challenges, that is, to resume economic growth and to consolidate democracy. The state's efforts concerning structural adjustment programs and the stabilisation of the economy are frequently hampered by the "vast expectations of economic improvement" drawn upon by the population and the vulnerability of the new government to popular pressures and demands of interest groups and lobbies. Furthermore, daily political life and the competitive electoral cycle scotch any attempt of producing long-term programs (Pereira *et.al.* 1993, see also Gill 2000). In the political sector, the state's capacities—particularly in penetrating society, regulating social relationship, and appropriating or using resources in determined ways (Migdal 1988)—eroded. The state is unable to arrange or establish a new and prompt institutional mechanism where all groups must advance their interests and demands through appropriate channels. In the transition period, democratic institutions are unable to "offer the politically relevant groups incentives to process their demands within the institutional framework" (Pereira *et.al.* 1993:5). This is the case because reforms mostly bring about a decline in material condition and consumption, at least in a transitional period.

Post-New Order Indonesia exhibited exactly these problems: Economically, the new government faced a severe economic crisis for quite a long period of time,

making it unable to improve the material condition of the population. The people found themselves in financial straits due to a skyrocketing price of most basic commodities. The number of poor people increased by nearly 400% in 1998 (from around 20 millions to nearly 80 millions). Politically, the paralysis of state coercive power evoked the euphoria of *reformasi* (reformation)—euphoria of freedom—among Indonesian people. Any state's attempted intervention in the expression of this freedom movement was ignored since this was regarded as maintaining or introducing an authoritarian style in directing people's aspirations. In this new situation, there was no appropriate distributional conflict mechanism (cf. Pereira *et al.*, 1993); "the rules of the political game [were] uncertain" (Gill 2000:45). As a result, widespread riots and lootings took place soon after Soeharto's fall. This incident portrayed the acute political and economic problems faced by the state and the population.

In the ensuing months, the situation was aggravated even further by ethnic, religious, and communal conflicts and violence. These conflicts were not only driven by ethnic or religious hatred, but also triggered by trivial cases. "Horizontal conflict/violence" (between societies) and "vertical conflict/violence" (between state and society, including violence in separatist movements) were popular terminologies used by the Indonesian media and observers to depict the existing conflicts or violence during this period. The number of violent incidents across the country jumped from 75 reported cases during the period of 1990-1998 to 1,015 reported cases during 1998-2001 (Tadjoeddin 2002). The cost of this violence was tremendous: Thousands of people died, tens of thousands of people took "internal" refuge, thousands of private and public properties and facilities were damaged.

Ethnic, religious, and communal conflicts had a "neighborhood" effect to resource conflicts. Resource conflicts were also on the rise in the country (Bachriadi 2001, FWI/GFW 2001). In the East Kalimantan forestry sector, forest conflicts increased both in quantity and intensity. In terms of quantity, the number of forest conflicts in this province increased from 17 during 1992-1998 to 95 within the period of 1998-2001. In terms of intensity, the rise of forest conflicts was mirrored by a transformation of the forest conflict from "silent conflict" to "conflict with collective actions." Local people not only seized companies' heavy equipment, occupied base camps, blocked logging roads, stopped companies' operation, but also burnt companies' properties and facilities (*Suara Pembaharuan Daily*, 27.02.00). In the Kutai District, 12 local leaders imposed customary sanctions to forest companies and fined them USD 2-5 per cubic meter of total timber production, counted back to the initial companies' production (1970s-1990s).⁴ In some villages, local people issued ultimatums to forest companies to leave their concession areas, which never occurred during the New Order era. The

⁴ They were *Kepala Adat* of Long Nyelong, Long Bentuk, Long Pejeng, Long Lees, Rantau Sentosa, Mekar Baru, BPPLH Wilayah Tanah Adat Dayak, Long Tesak, Tanjung Manis, and Gemar Baru. Because the companies rejected the fines imposed by local people, they warned that "if forest companies do not fulfill the demands and fines, they will bear any further consequences" (*Suara Pembaharuan Daily*, 27 February 2000).