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National interest, regional politics, and the agglomeration of industrial tree plantations in Indonesia

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Industrial tree plantations

178 million ha in 1990 to 290 million ha in 2015 (FAO 2015),
up to 345 million ha by 2030 (Carle & Homgren 2008)

- Increasing global demand for industrial wood and fiber, amidst decline of timber supply from natural forests (Jurgensen et al. 2014)
- labor concerns and job creation (Bull et al. 2006)



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Industrial tree plantations in Indonesia

- Establishment of industrial tree plantations as a top policy priority of Gol dating back to late 1980s
- As of 2018, land allocated has risen markedly to 10.7 million ha (MoEF 2018) - one of global leaders



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Industrial tree plantations in Indonesia

No	Company	Issuance	Area (ha)	Location
1	PT. Riau Andalan Pulp and Paper	1993 Amendment 2013	338,536	Riau
2	PT. Arara Abadi	1996 Amendment 2013	296,262	Riau
3	PT. Finnantara Intiga	1996	299,700	West Kalimantan
4	PT. Musi Hutan Persada	1996	296,400	South Sumatera
5	PT. Wirakarya Sakti	2004	293,812	Jambi
6	PT. Hutan Rindang Banua	2006	265,095	South Kalimantan
7	PT. Bumi Mekar Hijau	2004	250,370	South Sumatera
8	PT. Merauke Rayon Jaya	2008	206,800	Papua
9	PT. Adindo Hutan Lestari	2003	201,821	North Kalimantan

Arrangement	RAPP		IKPP	
	Name	Area (ha)	Name	Area (ha)
Own concession	PT. RAPP	338,536	PT. Arara Abadi	296,262
Takeovers	11 concessions*	220,292	-	-
Joint ventures	24 concessions**	309,929	17 concessions	699,974
Total		868,757		996,236



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Theoretical considerations

Rubric of 'national interest' through the lens of bureaucracy politics

Macro
politics

Micro policy -
bureaucracies

- Intersectionality of interests between macropolitics and micro policy (bureaucratic politics)
- Formal goals Vs. Self-organizational (informal) goals
- Government is not a unitary actor but is instead fragmented and composed of various bureaucracies, both at the national and subnational levels, with potentially different goals and interests (Peters 2010; Krott 2005; Krasner 1972)
- Bureaucratic agents may nonetheless use the concept of “national interest” to pursue their self-organizational interests (Niskanen 1971)



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Framing national interests in plantation policy

The political discourse of a “deepening crisis in the forest sector”

President Soeharto during his speech on ceremony of 1st planting 21 May 1991 remarked **“we have to replace trees that have been logged. In this frame, we develop industrial plantations...with plantations, we improve the productivity of the unproductive forestlands”** and **“industrial plantations will foster regional development, create jobs, and promote equalities in development”**

Probosutedjo, a Soeharto family member involved in industrial plantations, similarly reflected that: **“plantations encourage investments and create employment”**



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Aligning private interests in government policy

1. The politics of concession sizes and plantation types

Maximum size of a single concession supporting pulp and paper industries set at 300 000 ha (higher than that of woodworking / forest-based industries, 60 000 ha)

This underlines two key points, : 1) continued favoring of large-scale operations, and 2) new preference for pulp and paper over other types of industries. Large-scale industries to ensure swift realization of so-called national forestry goals and to maintain country's status as a global forest leader

Focus on pulp and paper industries is interesting because plantation policy aimed to support the country's established (woodworking) industries, which were said to have suffered from a lack of material supply from natural forests



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Aligning private interests in government policy

1. The politics of concession sizes and plantation types

A hidden agenda of prolonging patronage politics, serving the interests of the large business groups closely tied to then President Soeharto. RAPP and AA were granted with plantation concessions of 338 536 ha (beyond the maximum limit) and 296 262 ha

New policy preference provided windfall profits - benefit from both forest-clearing, and more importantly, the highly subsidized plantations of pulp and paper

Between 1997 and 1998, central forest bureaucracy invested US\$ 417 million to finance plantation development in the form of cash grants and discounted loans. *“Reforestation is a government task, those who help (the government) must be rewarded with incentives”* (Hasjrul Harahap, the then Minister of Forestry in 1991)



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Aligning private interests in government policy

2. The politics of installed processing capacities

RAPP and AA applied large-capacity processing (pulp and paper) industries with a view to becoming one of the world's largest pulp and paper industries, given the aforementioned state's preference for these industries

They continually raised the installed processing capacity of their industries, even though their respective plantation concessions would not be able to supply them.



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Aligning private interests in government policy

3. The politics of operational partnerships and taking over concessions

Self interests of local governments from small-scale licensing; 37 small- and medium-scaled concessions in Riau

Government policy to stop DR loans through a circular letter from the Secretary General of the Forest Ministry No. 549/II-Keu/2000 did not help SMEs; they were experiencing financial hardships, particularly to finance their operations

This works to the advantage of large-scale operations like RAPP and IKPP, which began taking over the non-committal companies.

Joint ventures were later made legal by Forest Ministerial Decree No. 20/Menhut-II/2005. The regulation emphasizes government interests in prioritizing value added from processing industries and is aware about the deep financial hardships among plantation concessions.



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Conclusions

- State's policies are framed within the rubric of national interest, referring to certain public goals. The concept of “national interest” is articulated as a normative concept and used to camouflage informal organizational goals
- Our case shows that plantation goals initially pursued by a strong power holder, namely the Presidential Office, and implemented by the sectoral bureaucracy of the forest ministry. Informally, the policy enhanced the political–economic connection between the central power holder with its inner circle. Plantation policy later served the self-interests of local bureaucratic agencies for obtaining economic gains by granting small-scale concessions to their affiliates



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Conclusions

- Forest policy in Indonesia continues to favor, and is biased toward, large-scale scale operations. This is conveniently framed within the context of achieving national goals. Regulations are systematically suited to prolonging the decades-long patronage politics between the state and a few business groups.
- Our case highlights that bureaucracies may change due to specific political circumstances and reform, e.g. the nexus between decentralization and centralization, but the entrenched economic oligarchy remains unchallenged.



Thank you very much
for your attention