Logging in East Kalimantan, Indonesia. The Historical Expedience of Illegality

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The preceding chapters have shown how forest exploitation was closely linked to local government structures in East Kalimantan (sultans, swapraja and then military-dominated civil service) and international trade networks (primarily oriented towards Japan). The most important forces that historically gave rise to activities associated with timber in the area economic scarcity and specific political interests. At different points in time before and after Indonesia’s independence, illegal timber exploitation and trade in East Kalimantan occurred because it constituted a binding element that held together government structures in remote regions and helped to maintain their economic and political functions. Hence, an illegal sector of this kind was not only expedient, but often simply necessary.

As Chapters 2 and 3 have indicated, such expediencies and necessities at the province level have often been interlinked and mutually complementary. This chapter seeks to examine further by moving the analytical focus to the district level in order to relate in greater detail of what are the processes, who are the actors and what are the actions involved. My objective is to illustrate how
multifunctional and important the illegal timber economy has been historically in the Berau area.

I do so by first discussing the development of timber exploitation in Berau in the period before Indonesian independence. During Dutch indirect rule, taxation of extracted timber and other forest products in the area was an important means by which to keep up the appearance of the sultans’ authority in Gunung Tabur and Sambaliung. Logging was carried out by means of networks that included license holders, contractors, and loggers locked into the opkoop-bevolkingskap system that persisted despite the 1934 ban.

Following the war and particularly after the withdrawal of the Dutch in 1949, worsening conditions in Indonesia and a radical change in the market value of timber, rendered it an increasingly valuable resource to be selectively distributed to district bureaucracies and the military as a reward, incentive or subsistence augmentation in exchange for ensuring political loyalty in the region. The distribution of timber attained its peak during the banjir kap timber boom in the late 1960s and early 1970s. During that time, district-controlled small logging plots (kapersil) constituted an “investment” by the Golkar party with which to ensure its dominance in the elections of 1971. Following the 1971 ban on banjir kap, small-scale logging continued in Berau, as large HPH concessions were slow to take root. With the assertion and intensification of the HPH sector in the late 1970s and early 1980s, the sawmill industry became a niche in which former banjir kap operators in Berau began to converge.
The chapter concludes with a detailed discussion of the structural adjustment of the illegal timber business in Berau from banjir kap to sawmill operations in the 1980s and 1990s.

4.1 Berau at a glance

Berau is one of eight districts (kabupaten) constituting the province of East Kalimantan\textsuperscript{89}. Covering an area of land 24,000 km\textsuperscript{2}, the district is located in the northwestern part of East Kalimantan and now borders kabupaten Bulungan, East Kutai and Malinau (\textit{Kompas} 2001).

Most of Berau is an extensive hinterland of the Segah and Kelai Rivers that provide crucial communication arteries throughout the district by linking interior with the coast\textsuperscript{90}. The interior is dominated by hills and mountain ranges that rise to over 2,000 m above sea level in the extreme western part of the district. According to official government data, about 80 percent of the district’s area, or 2.2 million ha is forested (BPS Berau 1998:96; Pemkab Berau 1999:14). In the east, Berau faces the Celebes Sea. The coastline is of considerable length and diversity, as dozens of islands and reefs (best-known among them is Pulau Derawan) are scattered along the shore (Pemkab Berau 1990).

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\textsuperscript{89} Until 1999, there were only four districts in East Kalimantan. However, as a result of administrative reforms undertaken after 1998, the number of districts doubled.

\textsuperscript{90} Kelai and Segah Rivers merge in the Berau River near the town of Tanjung Redeb, the district capital, about 50 km from the estuary.
Map 2. Berau and neighboring districts

Tanjung Redeb is the capital of the Berau district. Together with the two adjacent towns of Gunung Tabur and Sambaliung, it forms a larger urban area of about 50,000 people. The entire population of the district in 2,000 was estimated at nearly 120,000 people (Kompas 2001). When compared to the population of about 50,000 in the mid-1980s, it is clear that the number of inhabitants in Berau experienced a tremendous increase over the last twenty years (BPS Berau 1998:20).

Although transmigration to Berau began as early as 1981, no more than 17-18,000 people have arrived (primarily from western and
central Java) and settled permanently (Noor 1996:108; BPS Berau 1998:37-38). Until the late 1980s, the majority of the population were local Malays (Orang Benua – see below) and Buginese engage in subsistence agriculture (wet and dry rice) and trade activities. A small minority consisted of town-based Chinese traders, native Dayaks (Segai, Kenyah and Punan) inhabiting villages in the hinterland and Bajau sea nomads in the east (Pemkab Berau 1990). Although HPH logging operations have been active in Berau since the early 1970s, few locals found employment in this sector as logging companies brought contract labor from outside (Tim Monografi Daerah Berau 1976).

The influx of spontaneous migrants (also primarily from Java) to Berau began in the late 1980s when the company PT Berau Coal was about to resume the mining of coal in the district. In the early 1990s, this influx turned into a flood as the Kalimanis group of the timber tycoon Mohammad “Bob” Hassan announced plans to build a large pulp and paper mill in eastern Berau (Barr 1998). For instance, between 1994 and 1995 alone, a crucial construction phase of the PT Kiani Kertas mill, the population of Berau increased by over 20 percent (BPS Berau 1998:20; Kaltim Post 2002).

At present, with construction complete and the mill struggling to be economically viable, the population growth has leveled off, and surplus labor force from the PT Kani Kertas project has been absorbed by associated HPH, HTI, oil palm and construction companies.
4.2 The peoples and their history

The origins of present-day Berau date back to the kingdom, or *kerajaan*, that emerged near the estuary of the Berau River around the 12th or 13th century (Von Dewall 1855; T Veld 1884; Hooze 1886:7-24; Suwondo 1981:81). By the 14th century, a Hindu-influenced polity of Berau had a center in Sungkai near the mouth of the Lati River, not far from the coast (Pemkab Berau 1999:1). From the name of its leader, or *raja*, (Baddit Dippatung) as well as those of his known predecessors (Dikuringan Malaka, Dikotok, Dipalok, Digadong), it can be inferred that people living in and governing Berau in those times descended from local Dayak groups that came under the influence of Hinduism through trade contacts91.

Between 1400 and 1432, *raja* Baddit Dippatung brought a number of smaller territorial units (known as *banua* or *rantau*), located strategically at river confluences, under unified control. These small territories were, in turn, composed of villages occupying sections of particular river basins – each with a distinct leader (Pemkab Berau 1992:34). Thus, he created a larger *banua* entity called *Berayu* that occupied the area between the confluence of the Kelai and Segah Rivers in the west and the coast in the east (Pemkab Berau 1992: 25). The traditionally name applied to people considered indigenous to Berau (*Orang Benua*) comes from the entity created by Raja Dippatung.

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91 For a more detailed discussion of the process of the formation of kingdoms in Borneo, see Sather (1971). On interaction between coastal polities and hinterland, see Healy (1985).
It is not known precisely who were the inhabitants of Berau before the process of political consolidation. It is very likely that the dominant (initially Hindu and then Muslim) Orang Benua, emerged out of intermixing of ancient Dayak groups (possibly related to Basap; see below). More recent Dayak migrant populations such as Segai and Kenyah, and external trade-based contacts. Among the latter, the most significant were Tausung or Solok people from the Sulu Archipelago in the Southern Philippines. Locally known as Lamun, these people lived in the coastal areas of Berau well before the 18th century occupied themselves with the trade in slaves and forest products (Von Dewall 1855:447; Warren 1981; Guerreiro 1985:108; Pemkab Berau 1992:34; Noor 1996:21; Campo 2000). The Bugis and Banjar, on the other hand, seem to be somewhat later arrivals. According to local historical sources, these groups began arriving in the 18th century in the role of mercenaries as result of increasing internal strife that eventually led to the division of Berau into three separate entities (Pemkab Berau 1992:34). However, trade was also an important reason to venture into this part of Borneo.

It is interesting to note that as early as 1365, by virtue of the fact that Berau was linked to the court at Banjarmasin as a dependency, the Javanese kingdom of Majapahit, itself being the patron of Banjarmasin kingdom, claimed Berau as its vassal or tributary territory (Hooze 1886:7-24). Little is known about the intervening centuries that preceded the arrival of Islam and early visits by the Dutch VOC (East Indies Company) in the 17th century. However, there are indications that during that time Berau experienced a period of dynamic territorial expansion, claiming areas that
stretched from Cape Mangkalihat in the east (the eastern-most point of East Kalimantan) to the border with Brunei in the north and west (Noor et al 1985:71).

Paulus de Beck and Chiallop de Norman of the VOC made the first recorded visit to the kingdom of Berau in 1671. It was the first attempt by the Dutch to survey the area, assess the situation with regard to piracy and slave trade in the region as well as to learn about the influence of southwestern Philippines (Sulu) and the Spanish in that region. The Sulu Archipelago had a very strong political and economic influence in East Borneo, as most of the area was composed of its dependencies (Reynolds 1970; Warren 1981). By fostering alliances with local aristocratic strongmen, or datus, by the late 18th century the sultan of Sulu had firm hold on areas of Tidung and Bulungan, as well as Berau. Berau’s dependence on trade with Sulu and, to a lesser extent, Manila provided the main entry point for the spread of Sulu power in the region (Reynolds 1970:36-95). An effort by the Dutch in the late 18th century to counter the influence of Sulu led to the breakup of Berau into three separate kingdoms: Bulungan, Tidung, and Berau92 (Tim Monografi Daerah Berau 1976:34; Noor et al 1985:71; King 1993:147).

The coming of Islam to Berau in the 17th century provided an additional counterweight to Sulu influence. Islam came to Berau with Bugis traders. The first official center for Islam in the area

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92 Sources vary as to the exact time of this dissolution. It is said to have taken place between 1770 and 1800.
opened in the village of Sukan in the eastern part of the larger Benua region, under the guidance of a Bugis Imam Sambuayan (Pemkab Berau 1999:2). In later years the Buginese helped to stem the Sulu tide and to keep Berau allied with Kutai.

In addition to external interactions with Sulu and Kutai, Berau also came under pressure from within, as a result of migrations by the interior peoples. At the time when Sulu influence was at its peak, a sizable splinter Kayan group from the interior reached Berau. Originally, they inhabited the Apo Kayan plateau in the West. However, during the 18th century, various Kenyah groups (including Lepo Maut, Uma Tau, Uma Kulit and Uma Baka) crossed over from the Sarawak territory and began raiding Apo Kayan in order to seize it for settlement (Walchren 1907:820; Tehupeiori 1906:20,32). The ensuing warfare splintered the Kayan population and caused their out-migration. One such group headed eastward along the course of the Kayan-Ok River, crossed the watershed and entered Berau through the upper Kelai and Segah Rivers. In this new location, they became known as Dayak Gaai or Segai (Walchren 1907:768; Guerreiro 1985).

As the Segai descended from upriver regions and moved east toward the coast, becoming the dominant force in the hinterland of Berau, they entered into intensive interaction with Benua groups. In such circumstances, Orang Benua continued to be a very mobile and dynamic group of people. In the wake of Segai migration from

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Apo Kayan, other Dayak groups, such as the semi-nomadic Punan, came into Berau (Suwondo 1981; Noor et al. 1985). Originating from forest areas adjacent to Apo Kayan, they followed Segai and became Berau’s main hunter-gatherer populations residing in the headwaters of Kelai and Segah Rivers (Simanjuntak 1967; Ring 1968; Guerreiro 1985:108; Makoto et al. 1991). In addition to the Benua, Segai and Punan, the Basap inhabited Berau. Like Punan, Basap is a collective name for dispersed semi-nomadic communities that spent time moving around the forest and collecting forest produce for subsistence and trade. However, in contrast to the Punan, who inhabited upriver areas in the interior, the Basap lived near the coast in upper sections of the original benua or rantau river junctures that gave rise to Berau well before Segai or Punan migrations\(^4\) (Von Dewall 1855; Spaan 1903a; Spaan 1903b; Walchren 1907; Rutten 1916).

\(^4\) This may serve as a confirmation of the suggestion by Dr. Antonio Guerreiro (personal communication 1994) that Basap might be the oldest Dayak group in Berau from which Orang Benua emerged.
4.3 Political and Economic Interaction

By the end of the 18th and beginning of the 19th centuries, the prospect of British influence in Northeast Borneo and the continued sway of the sultans of Sulu eventually prompted the Dutch colonial administration to seek to exercise more effective territorial control in East Borneo (Black 1985:286). An attempt in 1833 to put Berau under direct Dutch control resulted in internal split that divided Berau into the sultanates of Sambaliung and Gunung Tabur. The former occupied the Kelai River basin and the latter had its domain along the Segah River (Noor et al 1985:71). The first sultan of Sambaliung, raja Alam (1800-1852), proved to be less cooperative with the Dutch than his neighbor across the river in Gunung Tabur. Annoyed by his disobedience, the Dutch sought to depose and arrest him. In an attempt to avoid capture, raja Alam fled into the interior where he reportedly found a safe heaven among the Punan of the upper Kelai River (Noor et al 1985:72). Eventually, however, he was removed and sent into brief exile in southern Sulawesi. In 1844, he was released and allowed to return to Berau in order to continue as the sultan of Sambaliung. In 1846, both sultanates signed pacts of alliance with the Netherlands.

In 1844, the Dutch resident of southeastern Borneo, Weddik, made his first tour of the east coast, including Kutai, Berau and Bulungan. Six years later, in 1850, the assistant resident, Von Dewall, made a similar trip (Von Dewall 1855; Hooze 1886). The main issue concerning the Dutch administration at that time was containment of slave trade and piracy, both of which were thought to be widespread (Spaan 1902; Broersma 1927a:226-227; Campo
Officials also mentioned attempts by foreign, primarily British, traders (e.g. Edward Belcher in 1844 and King in 1848) to establish trade posts in the area, but these activities were viewed as harmless commercial ventures and they did not yet cause alarm in the Dutch administration. With their focus fixed on external political and security issues, for the time being, the Dutch left internal power relations and economic and trade activities to the sultans.

Despite the seemingly powerful position of the sultanate courts vis-à-vis other groups in Berau, Dayak populations in the hinterland were under very limited political and economic control (Spaan 1902; Spaan 1903a; Grijzen 1925; Haga 1941; Rousseau 1990:295; Campo 2000:115). The sultans paid most attention to areas that possessed valuable resources, such as bird’s-nests, gold or coal, and that is where they attempted to exercise a degree of direct control. It was relatively easy for them to gain control over these resources because bird’s nest caves were usually found in areas not directly occupied by the Segai. This enabled sultans to post their representatives as controllers in those strategic locations (Spaan 1902:200; Suwondo 1981:82-83). Gold extraction, on the other hand, was almost entirely centered in remote upstream regions inhabited by Punan and was controlled (indirectly) buy the Segai (Walchren 1907:762). Thus, in order to be able to gain control of the extraction of and trade in gold, the sultans of Berau enlisted the help of Segai chiefs by granting them the honorific title of “raja” of particular river systems in exchange for enforcement of the monopoly. Such exclusive and hereditary rights to control specific
watershed areas were called *pusaka* (Ensing 1938:39). Inclusion of some Segai into the ranks of *keraton* (palace) aristocracy also helped in the collection of 10 percent taxes on forest products extracted from the area. However, tax collection entailed compromises as well, as sultans often gave up less valuable taxes to *pusaka* chiefs in exchange for more significant ones (Spaan 1902; Walchren 1907:763; Achmad 1979:5). This form of social and economic relations whereby sultans (residing near the coast and claiming higher cultural and spiritual ground) interact (through offerings of prestige) with an important interior group such as Segai who, in turn, interact with Punan and, to a lesser degree, Basap nomads as their workforce, is a typical model of upstream-downstream exchange polarities in coastal states of Southeast Asia\(^9\) (Bronson 1978).

This internal system of interaction and exchange in Berau, had undergone some modifications in the late 19\(^{th}\) century as a result of two events. First, migrations of Dayak Kenyah from Apo Kayan reached the interior of Berau, and even though these people initially inhabited upriver areas allongside with the Punan, their hierarchical social structure and culture of rice cultivation put them on *par* with Segai, thus necessitating more flexibility within the *pusaka* system. Second, in the 1860s and early 1870s, Dutch intervention in the area intensified as a result of the increasingly

\(^9\) The case of coal is different from the above examples of bird's-nests and gold. The mining of coal in Berau was carried out under direct control of the sultans with the use of, mostly imported, slave labor (Campo 2000:109, 118). Therefore, the availability of slaves was essential for the continuation of significant income from this natural resource (Campo 2000:112).
organized presence of British traders in East Borneo (Lapian 1974; Lindblad 1988:122-123; Campo 2000).

4.4 The early days of timber trade

Activities of foreign merchants, like the British, also marked the beginning of amore organized timber trade in Berau. As already mentioned, despite being formally bound to the Netherlands-Indies government, the sultans of Gunung Tabur and Sambaliung retained considerable decision-making powers, particularly in matters of economy and trade. In the late 1850s and early 1860s, an Englishman by the name of Lingard established himself in Berau in order to trade in forest products. He acquired a parcel of land in Berau and opened a trade depot for his firm Lingard and Co. (Broersma 1927a: 135). Initially, he acted on behalf of his patron (also an Englishman) Secraton who, while being based in Bali, was making a living by trading rice and other consumables to remote districts lacking in such products. In return, he sought to obtain forest products, including ironwood, to sell to Singapore. Lingard eventually decided to trade independently of his patron in Bali and he did so by securing concession rights in the Segah River from the sultan of Gunung Tabur (Lapian 1974:147-148). He not only obtained land rights, but also won the honorific title of raja laut (lit. king of the sea) that allowed him to remain in Berau permanently as a distinguished resident. The Dutch authorities in Samarinda became alarmed at the influence of the Englishmen and launched an inquiry into the circumstances surrounding his rise to prominence in Berau (Lapian 1974). Even though the Dutch did not
discover any political motives behind his promotion to the ranks of nobility, in 1874 they reviewed the treaties signed four years earlier, forbidding the sultans to grant land concessions to, or allow trade activities with, foreigners without prior approval from the assistant-resident in Samarinda. Lingard and Co., after a takeover by one of Lingard’s associates, Charles Almeyer, was allowed to remain and operate. Almeyer would later become a legendary literary figure, one upon whom Joseph Conrad based a number of his novels96 (Campo 2000).

An increase in the exploitation of timber occurred in the 1890s, after a Dutch engineer, Jacobus Hubertus Menten, confirmed that there were coal deposits large enough for industrial exploitation in the area (Lindblad 1988:32). The presence of coal deposits in Berau was already known well before Menten’s research, as sultans of Gunung Tabur and Sambaliung had already operated small coal mines for decades, with a labor force consisting of slaves (Campo 2000:108, 119). However, with the elimination of slavery in Berau, the sultans lost the means by which to exploit this natural resource and generate income from it. As a result, once the industrial sustainability of deposits was verified, all that sultans could hope for was a share of profits from the mining operations managed by the Dutch.

96Charles Almeyer was an exceptional individual because he spent most of his working time (and, in fact most of his life) in a remote concession area near the Siduung and Siagung Rivers, a considerable distance from human settlements (Spaan 1902). Joseph Conrad (Józef Konrad Korzeniowski), a Polish sailor-turned-writer based in England, was fascinated by Almeyer’s life in Berau. Almeyer was a Dutchman but he spent his entire life in Berau. He converted to Islam, married locally and eventually died in 1895. He was buried in Gunung Tabur, near the sultan’s palace. Almeyer’s gravestone can still be found today, although in a much-deteriorated state.
Initially, a coal mining company called Beraoesche Steenkolen Maatschappij (Berau Coal Company) was formed to take charge of feasibility and mining studies. Because the company lacked larger a corporate affiliation, it was also woefully under-funded and remained relatively small. Nevertheless, the prospect of a major mining operation in Berau was enough to stimulate other sectors. Forest areas surrounding the projected mine site in Rantau Panjang, about 15 km south-west of Tanjung Redeb, began gradually to be cleared to create space for plantations of coconut and rubber which were expected to be in demand. The clearing of land resulted in a considerable increase in the production and trade of timber, particularly ironwood (Kielstra 1912).

In the preamble to the official inauguration of coal mining in Berau, the interest in ironwood continued to grow. In the early 1900s, KPM (Koninklijke Paketvaart Maatschappij, Royal Shipping Company) ships came to Berau every month to take cargoes of ironwood for transport to Makassar, Banjarmasin and Java. The Java-China-Japan shipping company frequented Berau too for ironwood and rotan, both of which were exported mainly to Shanghai in China. Finally, even ships from the timber-rich territory of British North Borneo made monthly trips to Berau to pick up ironwood for shipment to Hong Kong (Kielstra 1912:362-3).

97 After the discovery of coal deposits in Berau, geological surveys were conducted in other parts of Berau in search for this and other minerals (e.g. Bücking 1912; Escher 1920).
98 A port and docking facilities suitable for ocean-going ships were opened in Tanjung Redeb in 1904 (Noor 1996:53).
63). In reality, however, export volumes of timber were still relatively insignificant due to the small-scale nature of exploitation and lack of capital for expansion. The extraction of ironwood in Berau at that time, although intensifying, continued to be a cottage industry that, in terms of real value, was secondary to dominant non-timber forest products such as bird’s-nests, gold, reptile skins, etc. (Noor 1996). As already mentioned, export of both non-timber and timber products were subject to a 10 percent tax (cukai) by the sultans.

In 1904, both sultanates signed *Korte Verklaring* (Short Declaration) with the government of the Netherlands, allowing under closer Dutch supervision in exchange for monthly salaries and a share in profits from extraction of natural, particularly forest, resources. In 1921, this arrangement was somewhat liberalized through administrative reforms that divided the Berau district into three administrative units: the district capital of Tanjung Redeb which served as the seat of the Dutch controleur and fell under the direct jurisdiction of the government in Batavia⁹⁹ and the two self-governing territories (*zelfbestuurlandschappen*) of Gunung Tabur and Sambaliung. The last two were further divided into subdistricts within which sultans were to operate with greater autonomy¹⁰⁰ (*Militaire Memorie van Berau* 1931).

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⁹⁹ Tanjung Redeb came under direct Dutch rule on February 5, 1893 (Noor 1996:52).
¹⁰⁰ Gunung Tabur was divided into the subdistricts of Gunung Tabur and Pulau Derawan whereas Sambaliung subdistricts of Sambaliung and Talisayan (Noor 1996:54).
In the periods just before and during World War I, the production of timber in Berau experienced significant growth and, more importantly, showed some signs of diversification beyond, until then exclusive, focus on ironwood. However, the defining event for timber industry in Berau came in 1914 with the opening of the first coal mine, the *N.V. Steenkolen Maatschappij Parapattan* (henceforth SMP). In the 1920s and 1930s, the company would operate on as many as five concessions, a feat made possible chiefly because the SMP, being a part of KPM, was well funded and had access to the largest shipping fleet in the Netherlands East Indies\(^{101}\). This allowed SMP to become the third largest coalmining operation in Southeast Borneo after OBM and the *Steenkolen-Maatschappij "Pulau Laut"* ("Pulau Laut" Coalmining Company) (Lindblad 1986:228-229). The founding of the companies caused, the internal demand for timber (especially for construction) in Berau to increase considerably.

However, not all early timber exploitation projects in Berau were associated with coal mines. There were also attempts to log and process timber for export. In most cases, however, financial and organizational problems, as well as the limited international markets for tropical timber, placed severe limitations on such ventures. One such attempt was an integrated logging and milling project in the eastern part of Berau (Sambaliung sultanate)

\(^{101}\) In the 1930s, the SMP’s monthly coal production was between 15,000 and 20,000 tons with shipments leaving Teluk Bayur terminal every two days. Ships with a capacity of up to 5,000 tonnes could go past Tanjung Redeb upstream all the way to Teluk Bayur due to extensive dredging of the Segah and Berau Rivers that had been carried out in 1924 and 1928 (Noor 1996:57-58).
undertaken by the Surabaya based firm *N.V. Seliman Hout- en Landexploratie Maatschappij* (Seliman Forest and Land Exploitation Company) (Anonymous 1914; Plasschaert 1916). The company hoped to capitalize on an increase in demand and prices for timber in the Asia-Pacific region during the First World War and planned to orient its produce for export. This might have been a feasible idea if the focus had been on the production of logs. However, Teluk Seliman Company, as it eventually became to be known, made the mistake of trying to process logs locally into sawn timber before export, for which purpose it imported expensive American sawmill machinery from the Philippines. The demand for tropical sawn timber at that time was still limited. Faced with this and other production problems and cost overruns, the Teluk Seliman company had to withdraw from the venture after only one year of operation (Plasschaert 1916). Subsequently, the Vibem Company (*Vereenigde Indische Boschexploitatie Maatschappij*, United East Indies Forest Exploitation Company) took over and continued the undertaking by cutting *kuda-kuda* logging costs in order to turn a profit. However, the rugged topography, stocks of commercial timber species that were lower than expected and adrop in timber prices after the First World War cumulatively proved insurmountable. In 1922, Vibem closed the Teluk Seliman operation permanently.

With export options limited, SMP coalmines and KMP shipping, in the years after Teluk Seliman’s closing, provided the main framework for the exploitation of forest for timber in Berau. As coal production grew quickly after 1914, it was accompanied by a
parallel increase in the movement of goods and people (Mooi 1930). The movement of people came mainly in the form of contract laborers from Java. Since Berau was thinly populated by mostly subsistence farmers and traders, the labor force necessary to operate the mines had to be brought from outside. In 1919, the number of contract laborers working in Berau coal mines reached 700 (Hartog Jager 1924:6). Two years later, it doubled, and in the mid-1920s, it reached a peak at 1,500-1,600 persons. A group of thirty six European engineers directed this large labor force (Broersma 1927a: 233). In addition, office clerks from Manado and Chinese craftsmen (tukang) assisted top management and the engineers (Broersma 1927a: 233). The multiplier effect of coal mining and the influx of people caused significant changes in Berau’s economy, among the most substantial of which was that the region became a net importer of rice. This resulted from many locals having switched from subsistence rice cultivation and moved into copra and timber production, two products in high demand (Ensing 1938:33).

The rising need for importation and distribution of consumables, as well as for industrial supplies, stimulated growth in import and retail businesses. The import of bulk goods was in the hands of large trading firms such as Borsumij (Borneo Sumatra Trading Company), Geo Wehry, the Moluksche Handelsvereeniging, Jacobson van der Berg and the Handelsvereeniging Oost-Indie.

102 In 1927, Berau’s population was estimated at 20,000 (Broersma 1927a: 225). About 50 percent of this number were interior Dayaks, while the reminder was composed of coastal Malays (Orang Benua, Buginese, Banjarese, etc.) who numbered 9,000, the Chinese (200) and Europeans (50).
Some had their own vessels but most relied on ships owned by KPM and Borsumij\textsuperscript{103} (Krom 1940:97). Once delivered to Tanjung Redeb, the goods were distributed further both by river and by land\textsuperscript{104}. Ethnic Chinese were by far the largest group operating the shops (toko) along the way, as among dozens of shops dotting the waterfront, there were only two owned by bumiputra, Haji Debab and Daman (Noor 1996:58). As a result of the boom in the coal industry, business opportunities in Berau attracted many new Chinese emigrants, particularly from the Canton area. By 1925, they owned 34 shops in Tanjung Redeb and Teluk Bayur (Bertling 1925:4-5). There was also a handful of Buginese or Banjarese shops, and two were owned by peranakan. In order to tend to the various needs of the SMP, a number of larger Chinese traders jointly created a suppliers’ cooperative. Smaller dealers, on the other hand, were mostly making door-to-door sales\textsuperscript{105} (Krom 1940:97).

Just as consumer goods was important to the progress of SMP operations, industrial supplies much needed. Machinery, spare

\textsuperscript{103} Borsumij had seven steamers plying the route between Samarinda, Berau and Bulungan. In all, at least twenty ships visited Berau each month at that time (Noor 1996:56).

\textsuperscript{104} There were numerous motorized boats plying the river between Tanjung Redeb and Teluk Bayur (Noor 1996:56-57). There was also a permanent road constructed in 1926, between both towns. In 1932, 20 taxis serviced that route. In 1937, the number of taxis increased to over 40, charging 50 cents for a trip from Tanjung Redeb to Teluk Bayur (Noor 1996:57).

\textsuperscript{105} As a result of the presence of SMP, in the 1930s Teluk Bayur became known in this part of Borneo as a “small Paris” (Van Heekeren 1969:101). The town gained this reputation because of its exceptional infrastructure and facilities, which included a swimming pool, tennis courts, a cinema, a hospital, four schools and a company shop where a wide selection of imported goods was available at subsidized prices.
parts, mechanical and chemical components, fuel, and so forth were all imported from Java. Critical construction timber, on the other hand, was plentiful locally and was extracted by means of opkoop or bevolkingskap (see Chapter 2 for a detailed explanation). Since sultans of Gunung Tabur and Sambaliung retained considerable rights to control the taxation of forest product (cukai) and trade, they usually bestowed such rights upon their kin, confidants (individuals with titles such as haji, pangeran or raden) and trusted taukes to ensure that, in exchange for a share of revenues, the latter would enforce tax collection (Spaan 1902). How important cukai on forest products continued to be is illustrated by the fact that in the late 1920s, around 30 percent of annual income in Sambaliung and over 60 percent in Gunung Tabur was comprised of tax revenues from such products\(^\text{106}\) (Broersma 1927b: 134).

Sultan appointees would then pass the logging work on to houtaanenmers who would form groups who would extract timber in the forest (Ensing 1938). Nearly all contractors were ethnic Chinese. Their success in shopkeeping positioned them well for timber business, because many Chinese had trading outposts in the interior, which gave them crucial access to the scarce and seasonal native (Dayak) labor force. Exceptions were the V.A. Cools firm and the Borneo Produce Company. The V.A. Cools firm, operated by a Dutch national, Cools, had exclusive rights to extensive concessions in the area of Pura and Siagung Rivers (Gunung Tabur

\(^{106}\) Lower dependence on taxes from forest products by Sambaliung was due to much higher annual income it derived from SMP coal mines which were located in its territory.
sultanate). The oldest trader in Berau specializing in timber, in a fashion similar to Almeyer’s three decades earlier, in 1911 Cools entered into a partnership with Haji Datu Raja of Sambaliung and acquired concession rights to mine coal in the area of Rantau Panjang (Krom 1940:74; Noor 1996:58). Once it was evident that Rantau Panjang possessed rich coal reserves, Cools and Haji Datu Raja surrendered their concession rights to this area in exchange for government compensation and help in negotiating favorable terms for logging concession rights in nearby Gunung Tabur107 (Broersma 1927a: 231).

The VA Cools firm worked independently based on the opkoop-bevolkingkap system, but it also entered into supplying agreements with larger firms such as the Japanese-owned Borneo Produce Company (BPC). The supervisor of BPC activities in Berau was Yamamoto (Krom 1940:157). In addition to working with VA Cools as a supplier, the BPC acquired logging licenses of its own in the late 1930s.

The opkoop-bevolkingkap system provided the main framework for timber exploitation in Berau until the early 1930s. It was continually subject of criticism by Dutch administration officials because of its indentured labor relations, corruption and unpredictable production (Ensing 1938; Krom 1940). Despite the tax on timber cut in Berau at that time being very much symbolic

107 Haji Datu Raja did not engage in the logging business. Instead, he used compensation funds to establish a coconut plantation on Kakaban island (Noor 1996:58).
(ranging from 25 to 40 cents per cubic meter), officially, almost no timber based revenue reached the sub-district (onderafdeeling) coffers (Ensing 1938:74). Whatever sums were collected entered the pockets of supervisors of the forest product trade appointed (Krom 1940:157).

In the early 1930s, forestry service in Berau began to take shape. The only forestry functionaries to be found in the region were the forestry police (Politie Boschwezen), charged with ensuring that government timber taxes (retributie) were collected more effectively (Ensing 1938:25). This meant they had to visit logging locations throughout Berau for which they had neither appropriate transportation nor manpower. As a result, they often resorted to contract labor to carry out the necessary activities, hiring a laborers would not be surprising, but the police tried to economize even on this undervalued form of labor. Then of dubious labor practices by the forestry police in Berau were eventually published in Semangat Rakjat Kalimantan newspaper (e.g. August 12, 1932), singling out Mantri Politie H.A. Andries. It reported that contract laborers in Berau were treated unfairly, for they were paid only for the time they spent on location, and not for the long periods of necessary travel.

As a result, steps were taken to introduce a more systematic and professional approach to both forest management and administration in Berau. The process began in the late 1920s, with district forest surveys as a prerequisite to more efficient planning of the forestry sector. In 1927, C.J. van der Zwaan, a government
forester based in Samarinda, began the first forest surveys and the analysis of timber-based industry in Berau (1927a; 1927c). While he collected valuable information on the distribution of timber species, their accessibility and on transportation, he was not able to analyse many wood-based industries, because at the time of his work, there were only two manually-operated sawmills in Berau. These surveys were continued by H. Richard (1931, 1932) who did pioneering work by producing estimates of timber yield by means of strip surveys.\(^{108}\)

This work was carried out as a preparation for the fundamental reorganization and systematization of forest exploitation in Berau. Surveys, statistical analyses and planning were done in the worst years of economic crisis of the early 1930s when timber production was in severe decline.\(^{109}\) In 1933, only 550 m\(^3\) and production recovered to what was a formerly a low of 1,100 cubic meters from 1927 only in 1934 and 1935 (Krom 1940:77). Beginning in 1934, timber entrepreneurship in Berau experienced significant changes as a result of the forestry regulation, which required all self-governing territories in Southeast Borneo to enforce a stricter system of logging concessions and to tax timber more rigorously. Entrusted with the task of enforcing this regulation was the regional forestry service (Landschapboschwezen), which opened an office in

\(^{108}\) H. Richard did strip surveys in the Siduung River area where sixty years later, French- and then European Union-funded projects (known as STREK and BFMP, respectively) in cooperation with national forestry enterprise PT Inhutani I, would continue his work.

\(^{109}\) This despite the fact that as early as 1931 there are indications of interest on the part of South African investors to try a sawmill enterprise in Berau again (Richard 1932).
Tanjung Redeb in January 1935. Although the forestry service personnel initially numbered only 5 persons, by 1940 it grew to 17\textsuperscript{110}.

As general economic conditions improved in the mid-1930s, forest concessions of various types in Berau multiplied, timber exploitation intensified and production far exceeded the output of past years. Forest concessions in Berau would be placed in three categories: *houtaankap-concessies* (logging concessions of more than 2000 ha), *kapperceelen* (logging plots from 500 ha to 2000 ha) and *kampongperceelen* (village logging plots of less than 500 ha). The first two were to be exploited commercially, whereas village plots were reserved for subsistence use. This concession system was intended to make timber exploitation more systematic, and thereby exercise control better, particularly over taxation.

By the late 1930s, the European firms SMP and VA Cools held a dominant position in the logging industry by controlling nine large concessions and six logging plots. The Chinese controlled three *kapperceelen*, the Japanese two, whereas Berau Malays possessed three village logging plots.

The tables below illustrate these developments.

\textsuperscript{110}The highest ranked-forestry official in Berau at that time was *Boschopzichter* (forest supervisor) who was directly responsible to the district forester in Samarinda.
Table 4. Logging concessions in Berau in the late 1930s

<table>
<thead>
<tr>
<th>Houtaankap-concessions</th>
<th>License Holder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progress</td>
<td>SMP</td>
</tr>
<tr>
<td>Parapattan</td>
<td>SMP</td>
</tr>
<tr>
<td>Rantau Panjang</td>
<td>SMP</td>
</tr>
<tr>
<td>Mary</td>
<td>SMP</td>
</tr>
<tr>
<td>Florence</td>
<td>SMP</td>
</tr>
<tr>
<td>Daisy</td>
<td>SMP</td>
</tr>
<tr>
<td>Badewatta</td>
<td>SMP</td>
</tr>
<tr>
<td>Siagung</td>
<td>V.A. Cools</td>
</tr>
<tr>
<td>Pura</td>
<td>V.A. Cools</td>
</tr>
</tbody>
</table>

**Kapperceelen**

<table>
<thead>
<tr>
<th>Concession</th>
<th>License Holder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Padai</td>
<td>SMP</td>
</tr>
<tr>
<td>Sumberata</td>
<td>Po Boy Hwat</td>
</tr>
<tr>
<td>Punang</td>
<td>Po Boy Hwat</td>
</tr>
<tr>
<td>Sungai Perak</td>
<td>Po Boy Hwat</td>
</tr>
<tr>
<td>Birang</td>
<td>Borneo Produce Company</td>
</tr>
<tr>
<td>Sungai Kelai</td>
<td>Borneo Produce Company</td>
</tr>
<tr>
<td>Malinau</td>
<td>V.A. Cools</td>
</tr>
<tr>
<td>Manritik</td>
<td>V.A. Cools</td>
</tr>
<tr>
<td>Pesajan</td>
<td>V.A. Cools</td>
</tr>
<tr>
<td>Suaran</td>
<td>V.A. Cools</td>
</tr>
<tr>
<td>Binungan</td>
<td>V.A. Cools</td>
</tr>
</tbody>
</table>

**Kampongkapperceelen**

<table>
<thead>
<tr>
<th>Concession</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paribau</td>
<td>Sambaliung area</td>
</tr>
<tr>
<td>Baranasan</td>
<td>Gunung Tabur area</td>
</tr>
<tr>
<td>Malatan</td>
<td>Gunung Tabur area</td>
</tr>
</tbody>
</table>

**Sources:** Ensing (1937:97), Krom (1940:148-149)

**Note:** Sources do not provide information on individual or cumulative area of concessions.
Table 5. Timber Exports from Beranu 1933-1939

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (m³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1933</td>
<td>550</td>
</tr>
<tr>
<td>1934</td>
<td>1,110</td>
</tr>
<tr>
<td>1935</td>
<td>1,112</td>
</tr>
<tr>
<td>1936</td>
<td>863</td>
</tr>
<tr>
<td>1937</td>
<td>21,506</td>
</tr>
<tr>
<td>1938</td>
<td>20,665</td>
</tr>
<tr>
<td>1939</td>
<td>24,320</td>
</tr>
</tbody>
</table>

Source: Krom (1940:77)

In 1936, SMP mining areas (those still covered with forest) as well as V.A. Cools concessions in Gunung Tabur were converted into *houtaankap-concessies*. In addition to these enterprises, Borneo Produce Company and a local Chinese *tauke*, Po Boy Hwat, acquired small logging concessions (Ensing 1938:97). However, despite growth in concession areas, in operational terms very little had changed, as timber exploitation continued to be based essentially on the (by then outlawed) subcontracting system and *bevolkingskap*. In SMP concession areas, for instance, cutting licenses were given (in a manner befitting indirect colonial rule) to sultan dignitaries such as *Haji* Cerana, *Pangeran* Projo, *Randen* Suria and A.R. Soeparta of Gunung Tabur (Noor 1996:58). These, in turn, passed on the work, for a fee, to Chinese operators (best-known among them were Lim Sek Bio and Lo Weng Hen) who carried out logging with teams of local Dayaks (Ensing 1938:97). There are indications that other sources of labor were also used. One of these sources was the Chinese indentured laborers. Between 1935 and 1939, about 20 kg of opium was imported each year into
Berau by licensees, whose numbers fluctuated from 31 in 1935 to 23 four years later (Krom 1940:153). Since opium use was strongly associated with Chinese indentured labor in the exploitation of forest in British North Borneo and in northern Bulungan (Nunukan), this was also very likely the case in Berau. Another source of labor for logging was surplus Javanese indentured laborers at SMP mines. In times of reductions in coal production, redundant laborers were transferred to work in the forest. In 1939, for instance, SMP moved over 100 of indentured laborers to cut timber in the concessions of V.A. Cools firm (Krom 1940: 40).

Although after 1934 the operational backbone of logging remained unchanged in terms of its reliance on of bevolkingskap (and was therefore illegal), it expanded, and through the increased presence of the forestry service, its tax contribution rose remarkably\textsuperscript{111}. Between 1935 (when there began to be regular reporting on timber) and 1940, timber-based tax revenues collected in Berau were as follows:

\textsuperscript{111} The Presence of forestry service did increase but its operational effectiveness remained limited. By 1940, for instance, the forestry service in Berau had only one boat with a small outboard motor (4 PK) for its use (Krom 1940:196).
Table 6. Timber tax revenue in Berau 1935-1940

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in DFl Guilders)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1935</td>
<td>8,065</td>
</tr>
<tr>
<td>1936</td>
<td>7,768</td>
</tr>
<tr>
<td>1937</td>
<td>29,258</td>
</tr>
<tr>
<td>1938</td>
<td>27,534</td>
</tr>
<tr>
<td>1939</td>
<td>43,851</td>
</tr>
<tr>
<td>1940 (until June)</td>
<td>25,305</td>
</tr>
</tbody>
</table>

Source: Krom (1940:149)

The sudden intensification of timber extraction particularly for export, in Berau the second half of the 1930s, was stimulated by the increasing Japanese demand for tropical wood from the region. In order to take advantage of the growth potential in the timber trade, in 1937 the port in Tanjung Redeb (the capital of the district of Berau) was allowed to export timber directly to China and Japan (Krom 1940:74). As a result, numerous Japanese and Norwegian charter ships began arriving at the Lusuran Naga docking point in Tanjung Redeb to pick up logs. Japan already had an important foothold in Berau in the form of Mr. Yamaka’s Borneo Produce Company, which was single-handedly exporting more than 20,000 m³ of timber each year. With the outbreak of the Sino-Japanese war in 1936, the company found itself under pressure from local Chinese contractors, some of whom pressed for a boycott of Japanese firms and goods. However, the company managed to make up for production shortfalls by buying more timber from the concessions of V.A Cools.
With the increase in ship traffic came supervisory problems. Many Japanese ships plied Berau waters with little or no control, and this prompted calls from Dutch officials for increased navy patrols in the region (Krom 1940: 87). Despite limited means for the effective control of timber exploitation, tax collection and local trade, from 1935 onwards Berau consistently registered trade surplus, as the value of exports was twice that of imports. Even after deducting all administrative expenses such as those from civil service, public works, and the infrastructure, the region still managed to save about 50,000 Guilders a year. For this reason, Dutch authorities began to pass more administrative costs to sultans in 1938. Nonetheless, in 1939, the accumulated savings of the district of Berau amounted to more than half a million Guilders (Krom 1940: 137).

Thus, in the closing years of the inter-war period, the open or disguised form, of *bevolkingskap* provided proved to be a politically and economically significant boost for sultans and for local economy. Attempts at stricter control resulted in increased district revenues, vigorous trade and budget cuts. At the same time, however, the limited nature of such control mechanisms and the continuing discretionary power of sultans and their entourages over access to, and taxation of, forest resources created the means with which to affect influence and assert one’s position within the context of indirect rule.
4.5 The Japanese occupation and economic breakdown in Berau\textsuperscript{112}

In January 1942, Japanese military forces (i.e. navy) took control of Tarakan, and in March of the same year they entered Berau. By then, most European women and children from Teluk Bayur and Tanjung Redeb evacuated to Java. However, a considerable number of SMP engineers, \textit{controleur} Van der Ploeg (successor to J. Krom) and their families did not leave before the transport lines were cut off. Nevertheless, they hoped to stay through what they thought would be a brief encounter with the Japanese (Noo 1996:65). This was not to be, however, as the thirty-three remaining Europeans were swiftly arrested by the Japanese and held in detention in the local hospital for more than three months before being sent to Tarakan for further internment (Van Heekeren 1969:106; Duij et al 2001:186).

Commanded by the Japanese naval officer Kinoshita, who took over from Van der Ploeg as the central government authority in Berau in 1942, the Japanese displayed a fair degree of tolerance towards Berau sultans. However, they had little concern for the economy of the region and livelihoods of its people\textsuperscript{113}. The economic hardships began immediately after the withdrawal of KPM liners on which Berau, being a net importer of nearly all

\textsuperscript{112} This section relies extensively on informative work by \textit{Haji} Muhammad Noor (1996).

\textsuperscript{113} Along with arresting Europeans, the Japanese forces also killed a number of Chinese in Berau (Van Heekeren 1969:106).
consumables, relied extensively for supplies (see Kurasawa-Inomata 1996). Only a few months after the arrival of the Japanese, shops in Tanjung Redeb began to empty and rice shortages became an increasingly common occurrence. By the end of 1942, nearly all shops in Berau closed. In 1943 the same fate befell the town market (pasar) because there was simply nothing to sell. The entire population of Berau, even ta'uk, set up gardens and rice fields wherever possible to meet subsistence needs114 (Noor 1996:68).

As the economic situation deteriorated, the Japanese introduced the currency change and initiated a practice of forced collections of agricultural products (Noor 1996:66; Yoshimasa 1996). Local native officials working for the Japanese government were covered by the distribution system of basic consumables called Hiyakaten, which entitled them to a monthly allowance of 12 kg of unhusked rice per family115 (Noor 1996:69). Although this amount was far from providing enough for nutrition on which an average family for a month, native officials within Hiyakaten had to reciprocate to for the privilege granted by the Japanese by collecting specified quotas of rice from village communities for government use. Forced collections of food in the context of the already severe crisis led to understandable resistance, and to violence and killings.

114 Between 1942 and 1945, Berau received two military transports of supplies. These, however, were destined exclusively for the Japanese garrison and closely cooperating native officials.
115 This translated into 6.5 kg of ready-to-eat rice (Noor 1996:69).
Just as the Japanese did not interfere with agriculture in Berau, seeking only forced rice collections through *Hiyakaten*, they were not able to accomplish much in other sectors (particularly mining) because these too suffered from a state of progressive deterioration. Coal mining never resumed under the Japanese because the retreating Dutch managed to inundate SMP mining shafts just before the arrival of the Japanese forces, and the drilling of new shafts was not accomplished before the end of the war (Noor 1996:68). The other equally unsuccessful activity undertaken by the Japanese was the tin mining project on the upper Segah River. Located in remote interior and possessing relatively limited deposits of tin ore, the site produced only two shipments that were successfully dispatched to Japan (Noor 1996:68).

As living conditions in Berau became increasingly difficult and unpredictable in late 1942 and early 1943, the Japanese administration initiated a process of "Japanization" of the local population (see Ken-Ichi 1992). All schools were re-opened, but the use of Dutch for instruction was forbidden under the pain of death (Noor 1996:66). Instead, the curriculum was to be taught in Japanese. In the spirit of "Japanization" all native schools (*volksscholen*) were renamed *Fuku-Gakko* and the continuing education school in Tanjung Redeb (*vervolgschool*) was called *Ko-Gakko*116. However, the local population, particularly in outlying

116 Three-class native schools opened in Berau in 1916. *Vervolgschool* had initially four classes that were later expended to five. Before the war, there were thirteen native schools in Berau. Gunung Tabur sultanate had native schools in Gunung Tabur, Rinding, Teluk Bayur, Pulau Besing, Samburakat, Pulau Derawan and Maratua. In the sultanate of Sambaliung, such schools were located
villages, was reluctant to send children to such reorganized schools, preferring to use each available pair of hands in the production of scarce food. High absenteeism in schools led to harsh repercussions, leading, for some disobedient parents, to death, like, in the villages of Samburakat and Sukan (Noor 1996:67).

As a result of multiple economic and cultural aggravations, the people in Berau grew increasingly antagonistic towards the Japanese. And the latter were turning ever more suspicious of the natives, as there were more Japanese defeats in Asia-Pacific and more reconnaissance flights over Berau by allied aircraft beginning in early 1944. Under the newly installed military commander of the Berau region, Oshida. Japanese secret police Kampetai, native police force Jumpo-Jumpo and locally formed paramilitary groups Heiho, Seimendan and Fujinkhai began increasingly ruthless searches for suspected Dutch spies or collaborators¹¹⁷ (Noor 1996:66). This was by far the most violent period of the Japanese occupation in Berau, as arbitrary killings and executions of suspects occurred on numerous occasions. Subdistrict heads of Sambaliung, Talisayan, Tanjung Redeb and Teluk Bayur were

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¹¹⁷ Heiho was a paramilitary organization consisting largely of native youth. Seimendan was an organization grouping native civil servants, whereas Fujinkhai was an association for women.
among estimated 600 people killed between 1944 and 1945 (Noor 1996:71).

By 1945, fearing continuing intimidation and reprisals, Tanjung Redeb became largely a ghost town as people sought refuge in the villages. The economy was in a state of complete collapse, and people reverted to barter trade, exchanging an item for an item. As the town became empty, allied airplanes began flying over the area with increasing frequency. Expecting an imminent attack, the Japanese forces left Berau and moved south along the Kelai River to join other retreating Japanese units in Kutai. The only Japanese representative to remain in Berau longer was the police commandant Takahashi accompanied by Raden Soekarna who led Jumbo-Jumbo forces in Berau. However, they soon disappeared too, as in March 1945, acting on flawed intelligence suggesting the presence in Berau of nearly 20,000 Japanese troops that had evacuated Tarakan, the allied bombers completely destroyed Tanjung Redeb and inflicted heavy damage in Gunung Tabur, Sambaliung and Teluk Bayur\(^\text{118}\) (Noor 1996:73). Human losses were minimal, however, because these towns were already largely deserted at the time of air raids.

Following the Japanese retreat, there was a political vacuum in Berau for several months, as the sultans, fearing new air strikes, remained in their hideaways in Sungai Birang (sultan Gunung Tabur) and in Tumbit Melayu (sultan Sambaliung) (Noor 1996:76). As people slowly realized that Japanese rule was ended, their anger

\(^{118}\) In the process, keraton of the sultan in Gunung Tabur was also destroyed as well.
and frustration turned against the remaining *Jumpo-Jumpo* personnel that attempted to continue to exercise power as if nothing had changed. There were reprisals against them and a number of them were killed (Noor 1996:74).

### 4.6 Changing fortunes of the ruling elites in Berau between 1945-1965 and the emergence of timber as the main source of unofficial income

Tarakan fell to the allied troops in July 1945, and a month later the Dutch civil administration NICA and the KNIL forces arrived in Berau. They found a weary and destitute population in a region that had no means and little interest at this stage to resist NICA. Since Tanjung Redeb was utterly devastated, the returning SMP managers and Dutch government officials were initially stationed in Teluk Bayur where some housing and other facilities remained intact (Noor 1996:75).

The first matter that the new *controleur* J. Kooimans and his staff attended to was rounding up Japanese collaborators, particularly those active in *Jumpo-Jumpo*, and investigating war crimes perpetrated in the area. For this purpose, they brought Takahashi the former Japanese police commandant, who was arrested after

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119 This was despite the fact that at least three political and religious organizations with connections to the pro-independence movement were present in Berau well before the Second World War. *Serakat Islam* operated in Berau since 1918. *Parindra* (Partai Indonesia Raya, or Greater Indonesia Party) and *Gerindo* (Gerakan Indonesia, Indonesian Movement) followed a few years later (Krom 1940:155).
escaping Tanjung Redeb in March 1945, to Berau. Mass graves were uncovered primarily in the vicinity of Tanjung Redeb and Teluk Bayur (Noor 1996:76). These were excavated and a total of 602 bodies were exhumed. Subsequently Takahashi and arrested Jumpo-Jumpo-Jumpo-Jumpo associates were sent to Balikpapan to face the military court that sentenced them to imprisonment. As these matters neared finalization, sultans of Gunung Tabur and Sambaliung were asked to return to their palaces (or whatever was left of them) from wartime hideaways and resume their reign.

Following this period of seeking out the guilty and counting the dead, Berau entered the period of dynamic political change and slow economic recovery. The latter began in early 1946 when SMP made the first attempts at reactivating the coal mines. At the same time, the seat of Dutch administration moved back to Tanjung Redeb, as NICA reconstructed dozens of houses, shops and pasar at no cost to win the good will of the people. Despite such overtures, pro-Indonesian sentiment was present and intensifying as indicated by the fact that one of the earliest ventures set up to distribute scarce consumer goods in the area was CV Mekeriib (abbreviation of “Mencapai Kemajuan Republik Indonesia Baru”, or “bring about the development of the new Indonesian Republic”) (Noor 1996:81). Although pro-republican sympathies in Berau were clearly on the rise, no real underground anti-NICA movement had ever formed (Noor 1996:82).
4.6.1 Berau within the Federation of East Kalimantan

In 1947 the Malino conference brought together the Dutch administration and Indonesia’s independence leaders, and the most important outcome of their meeting was that Indonesia was to be a federation of loosely bound nations cumulatively called the United States of Indonesia (*Negara Indonesia Serikat*). Thus, on 12 May 1947 the self-governing territories of Bulungan, Gunung Tabur, Sambaliung and Kutai joined forces in order to create the *Gabungan* (or Federation) of East Kalimantan as a first step toward the formation of the nation of Kalimantan (*Negara Kalimantan*) (Magenda 1991:46). A month later, the sub-district of Pasir asked was admitted to this new coalition (*Gaboengan* 1949:1).

Following the decision to unite, each self-governing region proceeded to establish representative assemblies (*Dewan*). In Berau, in July 1947 sultans of Gunung Tabur and Sambaliung jointly selected St. Baginda Husein as the secretary of the future *Dewan*. In addition, he was also entrusted with the task of heading the commission organizing the election of local representatives (*pemilihan kiesmannen*). Such representatives would constitute a pool of candidates out of which 15 would eventually be selected to become members (*anggota*) of *Dewan* Berau (Magenda 1991: 2).

Despite the fact that the local elections commission encountered some difficulties as a result of increasing anti-sultanate
sentiment, representatives were eventually elected, and on 10 December 1947, Dewan Berau was formed, consisting of: 5 members from Gunung Tabur, 5 members from Sambaliung, 1 representative from the Netherlands administration, 1 member from the Chinese (Tiong Hoa) group and 1 person representing the interior Dayaks (Gaboengan 1949:2). The proceedings of the Dewan were to be conducted under the guidance of the chairman (ketua) and vice-chairman (wakil ketua), positions reserved for, and to be shared by, the leadership of Gunung Tabur and Sambaliung.

On 10 January 1948, Dewan Berau was inaugurated and dignitaries from neighboring sultanates and Dutch administration officials in East Kalimantan were invited to participate in the festivities of that occasion. However, the challenges that the new government of Berau faced were serious, most significant of which were the economic and financial crises. Berau had to withdraw defunct Japanese currency and replace it with an equivalent sum of 300,000 Guilders, which were not forthcoming despite Dutch government promises. Another important issue on the agenda was dealing with rice shortages in the district. Since shortages were serious, Dewan representatives wanted to know why Dutch officials prevented traders in Tarakan and Samarinda from independent shipping and selling of rice in deficit-stricken Berau. Such restrictions were explained as a government measure to prevent speculation and

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120 "Sebahagian rakjat ada jang bersifat republikeins dan berpendirian non-cooperatief" (part of the people is republican-minded and does not want to cooperate) (Magenda 1991:2).
increase in prices. Berau was promised an allocation of rice directly from central government.

There was also a question of what to do in order to revitalize the backbone of Berau’s economy, before the war coal mining. Due to extensive war damage, SMP coal mines in Teluk Bayur had difficulties resuming production (Economisch Weekblad voor Indonesie 1946:221). In 1940, the last full year of production before the war, SMP output was nearly 300,000 tons of coal, contributing substantially to the overall coal production in East Borneo (Le Coultre 1946:62). Following the war, attempts at resuming coal production in Berau were already apace in the second half of 1946. However, by the end of the year the output reached only 3,000 tons. The production rose to 3,000 tons per month in 1947 and then doubled to the level of 6300 tons per month by the end of 1948 (Economisch Weekblad voor Indonesie 1949:309). Still, it was far less than in the pre-war period. Considering how important coal mining was for Berau in terms of the multiplier effect for employment, income and tax revenues, Berau’s survival depended upon its recovery.

Along with such fundamental and district-wide problems, there were also attempts to steer Dewan to attend to more narrow and personal issues. On 17 May 1948, a proposal was put forth to use district tax revenues for the construction of residential facilities for the collectors of turtle eggs on the islands off the coast of Berau (Gaboengan 1949:6). This initiative was clearly an attempt to generate a publicly-funded increase in turtle-egg revenues, a large
portion of which would fall to the sultans and license holders
appointed by them. Traditionally, the right to collect turtle eggs
was bestowed by sultans of Gunung Tabur and Sambaliung on
handpicked appointees who provided them with a share of financial
benefits in the form of *cukai*. In the 1920s and 1930s, the annual
auctioning of such licenses (*pachter*) was instituted by Dutch
*controleurs* seeking to formalize the process of obtaining such
licenses. Indeed, if in the early days only individuals with royal
titles held such licenses, in 1939 a Chinese trader Po Boy Hwat,
active in a range of other businesses including timber (see Table 1),
was able to secure such permit (Krom 1940:85). However, for him
and for *pachter* auctioning after the war, connections to sultan
courts remained vital.

4.6.2 *Berau illegal economies until 1965*

As a result of the withdrawal of the Netherlands administration
from Indonesia, the last *controleur* of Berau, Zoetmeyer, passed the
authority on to locally selected representative Hasan Basri Raden
Jaya Perwira in December 1949 (Noor 1996:86). Soon after, the
Federation of East Kalimantan was dissolved and the area was
incorporated into the unitary state of Indonesia, thus vindicating the
efforts of INI (*Ikatan Nasional Indonesia*, or Indonesian National
Bond) that since operated in Berau 1947 and tried to sway the
officials in the direction of the Republic. Administratively, the
sultanates of Gunung Tabur and Sambaliung were fused into one
self-governing *swapraja* region governed by sultans who rotated
the post of *bupati* (or head of the district) every two years (Noor
1996: 92). However, there was increasing anti-sultanate rhetoric, the political situation was unstable and economic condition in the area was quickly deteriorating. Luckily, due to continued presence in independent Indonesia of important companies such as BPM and KPM, SMP continued to operate in Berau, thus helping the local economy to sputter along (Noor 1996:92).

Sputtering was exactly what Berau’s economy was doing – a condition that in the course of subsequent years would go from bad to worse. As coal mining proceeded only at a fraction of its former capacity, dependent local businesses either had to implement similar reductions or find other means to dispense of their products and services. Thus, strategic products such as copra and salt fish, which previously were consumed by the indentured laborers in Teluk Bayur, were now increasingly diverted for illicit trade to the port of Tawau in British North Borneo. According to the branch office of fisheries in Tarakan, as early as 1952 most copra and salt fish from northern East Kalimantan was sent for sale to Tawau (Suluh Umum 1952:18). Such an increase in illegal trade was also caused by the large idle labor that was plentiful in Berau. The war years caused Berau’s population to decrease from about 20,000 before 1941, to 16,000 in 1952 (Madjid et al 1962:11). Between 1944 and 1945, the Japanese killed about 600 people in the area (Noor 1996:71, 76). A considerably larger number probably fell victim to hunger and malnutrition. Also, in the desperately destitute closing months of the war, some people dispersed to rural areas in Kutai, Bulungan and even Sulawesi, seeking food and clothing. Most of them would return after the war, joined by new migrants

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who began pouring into Berau attracted by the prospect of reopening of the SMP coal mines. As a result, by 1954 Berau’s population increased to nearly 22,700 (Madjid et al 1962:11). However, neither the struggling SMP nor local businesses associated with it could have absorbed a pool of workers of this size. Therefore, many found jobs in processing, packaging and shipping of agro-products such as copra and dried fish to Tawau in British North Borneo where the demand and prices for these products were high.

The forest policy in the area saw a revival of the system of concessions that existed before the war and re-legalized buying up of timber from small-scale native loggers. Dutch officials implemented such changes immediately after the war, recognizing it as unavoidable in times of economic crisis. Following the departure of the Dutch, timber exploitation policy in Berau remained unchanged. However, the crucial difference was that there was essentially no system in place to oversee it. The rudiments of the forestry service in East Kalimantan, and therefore in Berau as well, were not reconstituted until 1957. During the intervening years, it was a general responsibility of daswati II (daerah swapraja tingkat II, or second-echelon swapraja region) Berau and particularly Dewan. However, there were serious limitations as to the effectiveness of both.

121 At that time, SMP provided direct employment to about 600 laborers, less than half of the those before the war (Noor 1996:93).
In the aftermath of Indonesia’s independence in 1949, *Dewan swapraja* Berau, as all such assemblies in East Kalimantan, was dissolved. In 1950, it was replaced with DPRD-S (*Dewan Perwakilan Rakyat Daerah-Semetara*, or Temporary District Representative Assembly of the People), which, for the first time, included the republican voices of INI (Magenda 1991). However, the special status of Berau as a *swapraja* region continued and following the formation of new *Dewan*, the forces allied with the courts in Gunung Tabur and Sambaliung were largely in control of this new body. This meant that the balance of power remained relatively unchanged.

As already indicated, the main problem that district authorities in Berau faced was the deteriorating economy. By the early 1950s, it was clear that SMP production would not only remain well below the pre-war level, but there were also indications that the company would not stay in Berau for much longer. Sensing the swelling tide of nationalistic anti-Dutch sentiment in Indonesia, parent companies of SMP – i.e. KPM and BPM, decided to cut their losses. In early 1956, SMP announced that it would leave Berau shortly, taking along all equipment and infrastructure. However, it was open to negotiations and expressed willingness to transfer fully-equipped mines to the local government in exchange for a compensation in the amount of Rp. 3.5 million (Noor 1996:94). Berau alone could not raise such a sum. As a result, the leaders of the newly-formed popular assembly in Tanjung Redeb scrambled for outside help with which to keep the mines open and help maintain the critical few thousand direct and indirect jobs.
They found an eager helping hand in the PNI-dominated government in Jakarta. The Ministry of Internal Affairs (Departemen Dalam Negeri) quickly offered Rp 1 million in credit, and the Ministry of Finance (Departemen Keuangan) provided the rest. With such financing in hand, Berau took over SMP coal mines and placed them temporarily under the management a district company specifically for that purpose created (Perusda, or Perusahaan Daerah) (Tim Monografi Daerah Berau 1976:15; Noor 1996:94).

The sale and transfer of SMP mines to swapraja Berau seems to have been orchestrated by the Berau branch of the PNI in an effort to add swapraja leaders to its political base. In the run-up to the elections of 1955, the PNI assumed a very pragmatic political attitude in areas with long history of swapraja rule such as East Kalimantan. In an effort to expand its party membership and strengthen, its vote-generating mechanism, by attracting locally influential individuals, PNI was more than willing to put aside political and historical arguments to accommodate former ruling classes. Such a strategy was used extensively and effectively in the politically and economically important swapraja region of Kutai. Other swapraja areas, including Berau, were viewed as not being critical for the overall the PNI vote in 1955 and could therefore be pulled into its orbit at a later stage. The transfer of SMP mines to perusda Berau provided a perfect opportunity to achieve this. PNI's neglect of Berau in the 1955 elections resulted in the party finishing third behind NU (Nahdatul Ulama) and Masjumi in the
area. The extension of credit by Jakarta to allow Berau take control of the economically critical mines quickly undid this setback. In subsequent months and years, important positions within the local assembly, military, police and the civil service were occupied mostly by PNI members.

If the sale of SMP coal mines to the swapraja government of Berau was a political coup for PNI, it soon turned out to be as much of a problem for perusda Berau. The local officials were eager to turn coal into financial earnings. However, from the standpoint of management and manpower, Berau was not in position to operate the mines on its own. Predictably, Berau officials resorted to local tauke to whom they sub-contracted the extraction of coal for a fee traders for help.\(^{122}\). However, income thus generated turned out to be extremely erratic and limited. In order to get rid of the problem, in the late 1950s the mines were sold to an obscure Indonesian firm N.V. Agusco Djakarta (Madjid et al. 1962:100; Noor 1996:94). This was a benteng company typical of that period in the sense that it operated on subsidized government loans, and aimed at developing a bumiputra mining venture. However, Agusco’s activities never materialized. Rail tracks and other mine structures were eventually taken apart by local population and the mines, which had been at the heart of Berau economy for decades, were soon reclaimed by forest.

\(^{122}\) For a parallel case of leasing Dutch OBM coal mines to taukes in Kutai, see Chapter 2.
As much as the decline of coal mines in Berau was the result of dubious benteng business practices, it was also strongly tied to the generally increasingly idiosyncratic government regulatory framework that restricted private enterprise in favor of subsidized state trading (Sajidiman 1961; Panglaykim 1963). With the closure of SMP in 1955, KPM transportation in and out of Berau was reduced drastically, rendering merchant tauke boats and the Samarinda based PT Mahakam Shipping Coy the only and limited means of moving people and goods. The national shipping company Pelni struggled tremendously to compensate for the withdrawal of KPM, so much so that by 1964, twelve years after its establishment, it had not yet recorded a single profitable year (Madjid et al 1962:156; FEER 1964).

However, there were even greater problems. In the second half of the 1950s, in the aftermath of a wave of nationalization of (mostly Dutch) foreign companies in Indonesia, pressure was rising to expel the remaining asing (“alien”, i.e. Chinese) elements out of business in order to create room for bumiputra, (Sirengar 1969; Panglaykim and Palmer 1970). This resulted in the creation of a range of national companies in Indonesia with monopoly rights over export and import of certain products, and these companies predictably took advantage of their exclusive middleman position by inflating shipping and handling costs (Subroto 1957; Sajidiman 1961). Such practices resulted in spiraling business costs, for traders who wanted to export products of any kind had to go through appointed export-import firms in order to secure foreign currency permits (or SIVA, Surat Idjin Valuta Asing), which were
necessary to obtain payments for export shipments in currency other than Rupiah\textsuperscript{123}. The cost of obtaining such permits was no less than "15% of the proceeds realized from the FOB value of the shipment" (Wiharto 1962:199). Similarly extortionate practices governed import activities (Madjid et al 1962:103).

The general outcome of these developments was a contraction of the official economy and growth of black marketeering (Panglaykim 1962; Pospos 1982). In Berau, taukes were gradually forced to take a back seat to the "front" bumiputra personnel. By 1961, there were officially no more Chinese traders operating outside the main town of Tanjung Redeb and in the whole of Berau no enterprise hired more than 10 persons (ibid: 178). However, the number of unreported enterprises and their turnover was estimated to be at least equal to, or in excess of, the ones officially in existence (ibid: 121-122). Faced with a lack of reliable transportation, impossible rules for both official export or import and with the region's literal descent into darkness caused by a lack of electric power (with the closure of coal mines, Berau's only power station in Teluk Bayur ceased to operated), unofficial means of doing business became the only feasible alternative.

Smuggling rather than official trade became the order of the day. As a result, production of coconut oil in East Kalimantan dropped

\textsuperscript{123} The lack of a stable exchange rate for Rupiah contributed to these difficulties. "The official rate was 45 [Rupiah to US Dollar]. But the tourist rate was 180 and for export-import transactions the rate ranged from 315 to 810, depending on the type of goods. At the Hotel Indonesia [in Jakarta], a special rate of 1000 operated" (Grant 1964:83. italics added).
dramatically because nearly all copra from Berau and Bulungan was diverted for sale to North Borneo. Similarly, copra imports from Sulawesi, which until then arrived regularly to Samarinda, began instead to be shipped clandestinely to Tawau as well (ibid: 112). The same happened with timber, as the logging boom in North Borneo provided a timely and far superior replacement for defunct coalmines as the consumer of logs from Berau. Since the forestry service did not operate, no official records of small logging concessions and their timber production were kept, except for occasional notes by the “point men” assigned by Dewan to visit periodically locations where logging was taking place and collect cukai on timber.\(^{124}\)

The government in Jakarta responded to these developments by deploying official rhetoric of containment, while at the same time trying to use the emerging black market for timber and other products to its own advantage. It achieved the latter by introducing government regulation (*peraturan pemerintah*) no. 1 of 1957 that divided concession allocation rights between governors (*daswati I*) and districts (*daswati II*). The law stipulated that governors could issue logging permits for areas up to 10,000 ha; districts were limited to 5,000 ha and subdistricts to 100 ha. They were also entitled to the collection and sharing of tax on cut timber (*cukai kayu*). This regulation helped spread the power over, and profits from, timber more evenly, keeping the parties involved relatively content while at the same time preventing districts from becoming

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too assertive – an important consideration in times of widespread regional upheaval in Indonesia of the late 1950s.

The corrective rhetoric, on the other hand, consisted of government projects intended to prevent illegal activities from taking place. Based on government regulation no. 1 of 1957, licenses for processing copra into coconut oil were to be issued to firms that would operate in Berau and Bulungan with a planned output of 400 tons of oil per month. In addition, central government in Jakarta was also to allocate funding from the development budget called mechanization credit (kredit mechanisasi) to construct modern sawmills in Berau so as to stimulate local processing of timber and reduce smuggling of logs125 (Madjid et al 1962:139). Even if these measures were successfully implemented, it is difficult to see how they could possibly have achieved the stated objectives. As with most benteng rhetoric and ideas, their strength was in conjuring the imagery of what could be rather than what had actually would happen.

Perhaps the only benteng initiative that saw some degree of realization in Berau was the manila hemp plantation project in the vicinity of the village of Tumbit (Madjid et al 1962:140). The project began in 1955 with the implementing party, N.V. Indonesia National Abaka, planting a token area of 2 ha with abaka seedlings. In 1957, the company obtained credit from the government to the

125 As a stimulus to local development, on December 5, 196, a branch of the Samarinda-based Bank Kalimantan opened in Berau (Noor 1996:98). Despite being the very first bank active in Berau, its impact was extremely limited and it ceased to exist a few years after opening.
amount of 60,000 Rupiah and expanded the plantation to 18 ha. However, the enterprise did not progress any further. Citing lack of skilled manpower and difficulties in importing the necessary harvesting equipment, the venture was abandoned. Most astonishing is the observation (made by the management only after planting was underway) that even if the required labor and machinery were available, they would be of little help, because hemp has to be processed within 24 hours after harvest, and Berau had neither processing facilities nor reliable transportation\(^{126}\). In fact, there was no manila hemp processing center in the whole of East Kalimantan!

As similar disparity between planning and implementation transpired in another *benteng* project, construction of a road linking Berau with Bulungan to the north. The 110 km road had been long in planning, but in 1958 it seemed that a joint effort of the national company PT Tunas and the local head of public works, Abdurrahman, would finally make it a reality. However, by the end of the year, and after the release of several government credits, only 2 km of the road were in place! (Noor 1996:98). By 1962, the plans were to reach km 5 from the direction of both Berau and Bulungan (Madjid et al 1962:151). In reality, the road was not finished until the mid-1990s.

\(^{126}\) An interesting parallel case can be found in Berau today in the form of oil palm plantations. By 2000, more than 400,000 ha has been allocated for oil palm plantations in the district (Obidzinski and Suramenggala 2000a, b). However, less than 10,000 ha have actually been established and no processing facilities have been built. There are indications that an oil palm plantation business of this kind is in fact “hit-and-run” operations aimed at extracting timber only.
The unspoken central government policy of allowing illegal trade to become the economic backbone (in absence of legal alternatives) and of using it as a means to generate reciprocal political loyalty from regions such as Berau crystallized in the 1950s and continued in the early 1960s with only slight modifications. The changes that occurred came in the of the administrative reform embodied in government regulation no. 27 of 1959, which abolished the swapraja status of Berau and turned it into a second-tier region (daerah tingkat II) directly under the province of East Kalimantan (derah tingkat I). Berau thus became a district directly linked to the Indonesian state. Nevertheless, swapraja forces continued their strong presence within the official ranks, as Haji Raden Ayub, an aristocrat from Gunung Tabur, found enough support (with PNI backing) to become the first regent, or bupati.

In the early 1960s, however, the political climate in Berau began deteriorating for the local ruling classes. Due to the emergency powers granted to the Indonesian military in the late 1950s, the army’s influence in social, economic and political life expanded vastly. In Berau, as elsewhere, the military influence began penetrating the ranks of local civil service rapidly. In the face of rising inflation and economic breakdown, virtually all military officials were involved in illegal trade of some sort, with smuggling to and from North Borneo being the main activity. Illegal trade provided badly-needed consumables and income for personal and institutional purposes.
The turning point came in late 1962 when the newly-appointed regional military commander (PEPERDA) for East Kalimantan, Colonel Soeharjo, a member of the far-left flank of PNI, began a vigorous campaign to redundant extirpate the remaining aristocratic forces in districts governments (Soeharjo Kol. 1965). Accusing the ruling classes of subverting the national revolution through continued colonization of the common people (rakyat) and economic speculation with foreign elements at home and abroad (i.e. local and North Borneo Chinese), he pressed Haji Raden Ayub into voluntarily resigning from the position of bupati of Berau. Soeharjo replaced him with a loyal local supporter, Yunuzal Yunus (Magenda 1991:63; Noor 1996:98).

But, under Yunus’ patronage, the illicit trade in timber and other goods not only continued, but even flourished. This had taken place despite the military’s having established posts in Nunukan near the smuggling route and Indonesian soldiers, with occasional visits by Col. Soeharjo himself, maintaining a strong presence in the border area (Magenda 1991:58). Despite his apparently relatively non-confrontational attitude towards the former Berau aristocracy (vis-à-vis Soeharjo) and restraint during the Konfrontasi campaign127, both Yunus and his superior, Soeharjo, quickly disappeared from the political scene after 1965. In early 1965, Soeharjo was recalled from East Kalimantan by Gen. Yani who was then commander of Indonesian Armed Forces and was sent to the Army Staff College

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127 Konfrontasi-related activities in Berau were limited to renewed efforts to work on the road link north to Bulungan and the construction, in 1962, of an air field that in 1976 became the official Berau “Kalimarau” airport (Noor 1996:98, 105).
in the Soviet Union (whereafter nothing more was heard of him). Yunus’ fate is equally unclear. It is possible that he was in the group of 34 persons in Berau identified as directly involved in PKI activities and sent for detention outside the region¹²⁸ (Noor 1996:99).

4.7 Banjir kap boom

Following the 1965 coup in Indonesia and subsequent installation of the New Order regime under the leadership of General Suharto, the political situation in Berau, under the new bupati, Captain Djajadi, became more stable. However, the district’s economy continued to be essentially in the state of collapse. There was no usable infrastructure in place. In many respects, Berau of the late 1960s was worse than it was before to the Second World War. If in the 1930s Berau had some access to electricity, local phone lines, policlinics, regular transportation and some paved streets, in the early years of New Order there was virtually none of this. However, what Berau and other regions in East Kalimantan had plenty of was timber-rich forests for which market demand and prices were rising. Therefore, it was a natural choice by the new regime to use timber as a means with which to fuel political consolidation and economic development.

¹²⁸ Individuals suspected of indirect involvement in PKI or generally leftist sympathies were arrested and placed in the Buluh River detention area outside of Tanjung Redeb where they “repented” by working in the rice fields (Pemda Kaltim 1968:31; Tim Monografi Daerah Berau 1976:29).
The liberal investment laws promulgated in 1967 were to be the cornerstone of economic recovery in Indonesia, particularly in resource-rich regions such as Berau. While this new regulatory framework seemed to offer genuine openness and new business opportunities, such entrepreneurial activities nevertheless had to operate within the long established give and take system of dependency (patronage) relations. The growing entrenchment of the military the district government ensured that this would continue to be the case.

In 1968, the Berau leadership cabinet of bupati Lieutenant Colonel Djajadi, secretary Allun Bachrun, DPRD (district consultative assembly) chairman Amir Sjarifudin and vice-chairman Kamranii embarked on the road toward economic normalization facing very limited options. In many respects the problems that they faced were the same as in the Sukarno era. Infrastructure and transportation difficulties constituted the main limitations. The import of consumables continued to be very difficult because even though now businessmen could operate unhindered, import was centered in Samarinda and Balikpapan, and re-distribution to more remote regions was slow and unreliable. Above all, however, the financial situation of the district was very poor and few realistic solutions were available. No precise data exist as to the exact budgetary condition of Berau at that time, but it is clear that in 1968 the district could cover only about 12 percent of its basic administrative expenses (Pemda Kaltim 1968:73).

This was also the case in other districts and in the province as a whole. In 1968, even with the subsidies from Jakarta, East
Kalimantan could barely bring up the funds to cover half of what was needed (Pemda Kaltim 1968:16). In the context of raging inflation, this was all that Jakarta could afford. Thus, provincial and district authorities were essentially left on their own to devise a means to generate the rest. As a helping measure, the New Order government decided to put in place (along with liberal investment laws) greater fiscal autonomy measures for provinces and districts to help them generate the urgently needed revenues. The centerpiece of these measures was what appeared to be a more equitable sharing of tax revenues between the central government in Jakarta (pusat) and the regions.

There were eleven types of taxes shared between the central government and the regions over which the latter were to gain greater control (for a more detailed discussion of the financial situation in East Kalimantan at that time, see Chapter 2). Among them, however, there were only three taxes from which a substantial share went to districts, 65 percent of SWIU (Sumbangan Wajib Izin Usaha, mandatory contribution of business license-holders), 90 percent of Ipeda (Iuran Pembangunan Daerah, Regional Development Tax) and 40 percent of Koper (Koperasi Daerah, Regional Cooperatives) (Monograf i Kaltim 1969:90-93; Monograf i Kaltim 1970:102-106). The rest went to provincial authorities. The only other independent source of financing for the districts was taxes based on district regulations (peraturan daerah) that included: PKB (Pajak Kendaraan Bermotor, Motor Vehicle Tax), PRT (Pajak Rumah Tangga, Household Tax), PR
(Punggutan Produksi, Production Tax) and Cukai Kayu (Timber Tax).

All three types of taxes shared with pusat and most of those based on local regulations constituted a “donation” of sorts that had to be collected from local entrepreneurs on an essentially door-to-door basis. In addition to the fact that such taxes had to be extracted in a very unclear and irregular manner, their value (with the exception of cukai kayu) was insignificant. In 1968 and 1969, with the provincial budget at around 420 million Rupiah, and with pusat being able to subsidize only half of it, the comparative contribution of district taxes to the overall spending was as follows:

Table 7. Value of district taxes in East Kalimantan in the late 1960s

<table>
<thead>
<tr>
<th>Type of Tax</th>
<th>Realized Value (Rupiah)</th>
<th>Contribution to the Overall Budget (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PKB</td>
<td>1,142,000 (in 1968)</td>
<td>0.28</td>
</tr>
<tr>
<td></td>
<td>1,000,000 (in 1969)</td>
<td>0.2</td>
</tr>
<tr>
<td>PRT</td>
<td>1,500,000 (in 1968)</td>
<td>0.35</td>
</tr>
<tr>
<td></td>
<td>1,200,000 (in 1969)</td>
<td>0.3</td>
</tr>
<tr>
<td>PR</td>
<td>3,900,000 (in 1968)</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>6,200,000 (in 1969)</td>
<td>1.5</td>
</tr>
</tbody>
</table>


Fortunately, this near total lack of district funds was in some measure offset with income from timber (cukai kayu) that quickly emerged as, by far, the most important source of tax revenue (Raharjo 1972:29). In 1968, cukai kayu collected by districts in East Kalimantan totaled 42,400,000 Rupiah, whereas in 1969 this amount increased to 59,000,000 Rupiah (10 percent and 14 percent, respectively).
respectively, of the overall provincial budget) (Pemda Kaltim 1969:92; Pemda Kaltim 1970:105).

Given its economic significance, one would expect a lot of official focus in Berau to be placed upon timber and the taxes that could be imposed on it. After all, the banjir kap boom was intensifying at its center in Samarinda and it was quickly spreading to neighboring regions. However, financial windfall associated with timber caused developments in Berau (and other neighboring districts as well) to move in quite the opposite direction, the illegal timber section grew. This is exemplified by the fact that despite timber tax’s being absolutely crucial to the economic survival of the district, the manner in which it was collected constituted a continuation of a decades-if not centuries-old tradition whereby district officials would assign the task of collecting timber dues to selected “point men”.

If the collection of such crucial financial resources as cukai kayu was done in a manner strikingly resembling the division of spoils, such practices were accompanied by an obtuse official picture concerning the size and activities of small logging concessions. Berau residents in Gunung Tabur and Sambaliung who worked in banjir kap enterprises and clearly remember this period of timber boom report that intensive logging was taking place along all major navigable waterways (Noor 1996:103). District reports from the

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129 Interviews at the district forestry office in Berau, September 2001.
130 Interviews with important informants in Gunung Tabur and Sambaliung, 2000 and 2001.

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late 1970s and memoirs of long in residence civil servants who were long in residence go further by emphasizing that the flood-logging boom was a period of great economic intensification and transition (Tim Monografi Daerah Berau 1976:12). Responding to international market demand and high prices for *Meranti* dan *Keruing* timber, retail and trade businesses of all sizes in Berau either engaged in parallel timber ventures or switched resources (*modal*) altogether to logging for export. Such structural transformation were also made possible by an influx of external workers (mainly Bugis from Sulawesi) seeking employment in small logging concessions (Tim Monografi Daerah Berau 1976:12). Again, *tauke* enterprises were at the core of this growth. Managed by the veterans of timber trade in the 1950s and early 1960s (descendants of the pioneers from the SMP period), these individuals were part of the trade network necessary to make the timber business work. Although within the political context of early New Order restrictions on entrepreneurial activities by ethnic Chinese were officially removed so that they no longer had to hide behind *bumiputra* “fronts”, in practice protection of district (mostly military) decision-makers was essential and was actively solicited.

Official sources from the time, however, reflect very little of these developments. In 1967, at the outset of *banjir kap*, Berau was estimated to have about 30,000 ha of small logging concessions (Pemda Kaltim 1968:18). In 1969, by which time the total area of *kapersil* concessions in East Kalimantan more than doubled to over 1.2 million ha and the production of timber for export increased ten-fold to 2.1 million m$^3$, in Berau nothing seemed to have
changed (Pemda Kaltim 1971:60). The district continued to have precisely 30,000 ha of small concessions held by local taukes:

Table 8. *Banjir kap* small concession holders in Berau in 1969

<table>
<thead>
<tr>
<th>Licensee</th>
<th>Concession</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>CV S.D.R.</td>
<td>10,000</td>
<td>Sungai Kasai/Sungai Lingan</td>
</tr>
<tr>
<td>CV Batang</td>
<td>10,000</td>
<td>Sungai Talisayan/Sungai Laleh</td>
</tr>
<tr>
<td>Karang</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PT Gunung Mas</td>
<td>10,000</td>
<td>Sungai Perak, Sungai Laleh</td>
</tr>
</tbody>
</table>

*Source:* Pemda Kaltim (1970:71)

Ambiguity surrounding financial resources generated from timber resources required that corresponding official data concerning the performance of *banjir kap* concessions be similarly limited. Finally, the functioning of the informal administration of *banjir kap* timber resources in Berau was completed by of information on the production of logs in the district being unavailable. Data on timber output became available only in the second half of 1970 when local officials claimed, in contradiction to other sources, that export of timber was undertaken in that year for the first time\(^{131}\) (Tim Monografi Daerah Berau 1976:17). These timber production

\(^{131}\) A 1969 central government report on the regional economy in East Kalimantan for indicates, for instance, that Berau produced nearly 240,000 m\(^3\) of logs that year, of which about 230,000 m\(^3\) was exported (Dirjen Bina Marga 1969). Unfortunately, export destinations are unknown. However, with timber fetching US $ 75 per cubic meter in Kalimantan at that time, the volume, if indeed exported from Berau, would represent an astonishing value of nearly US $ 18 million.
figures for Berau covering the period of the 1970s are presented in Appendix 6.

The banjir kap boom in the district of Berau bears all indications of complete chaos. There was chaos indeed, but the business was not entirely out of control. Rather, it belonged to the “managed” sort with important economic and political roles to play. Clearly, as long as the district was “getting by” in the economic sense, despite its timber sector’s being largely an illegal one, pusat saw no problems or reasons to intervene. After all, acceptance of this “free-for-all” state of economic affairs lightened the burden on fragile central government finances. Perhaps more importantly, it constituted a reward for local (largely military) leadership for maintaining security and political loyalty in the district in the difficult period following the 1965 coup. Not surprisingly, therefore, in the context of the 1971 national elections (pemilu) the political significance of the illegal timber economy rose even further.

Rewarded with economic freedom, the military leadership in Berau performed splendidly in the crucial first national elections under the New Order. Suharto’s party Golkar won a resounding victory by taking control of 15 (out of the total of 20) seats in DPRD and by placing A.T. Soedibyo from the military fraction of Golkar in the position of chairman (Tim Monografi Daerah Berau 1976:36). A military officer chaired even such a largely ceremonial body as Mespida (Musyawarah Pimpinan Daerah, or District Consultative Forum). And Lieutenant Colonel Djajadi thrived in his capacity as
bupati of Berau until 1973 (Magenda 1991:59). As a result, the army and Golkar’s (and therefore Suharto’s) grip on power in the district was as solid as never before.

With the elections won, Suharto moved to consolidate his power further through more intensive exploitation of natural resources and thereby a greater generation of wealth. For these objectives, the international climate seemed favorable, as main timber buyers such as Japan and the USA were eager to launch large-scale forestry projects in East Kalimantan (Manning 1971; Dixon 1974; Daroesman 1979; Ruzicka 1979b). There was also a need to reign in the essentially omnipotent military. This was to be accomplished by the implementation of the decision no. 114 by the governor of East Kalimantan in June 1971 that banned banjir kap logging. Subsequently, large HPH logging concessions, which were better organized, easier to control, and more profitable, were to be the preferred means of exploiting the forest for timber.

The ban came as a shock to Berau and to most other regions in East Kalimantan. It essentially meant that the entire local economy and labor force had to undergo a relatively quick structural adjustment. Yet, the task at hand was massive. A lot of investment had already been placed in the into logging businesses and the numerous migrant laborers in the district could hardly be expected to find other employment. By 1976, human resources in Berau would still be in the process of the difficult post-banjir kap adjustment (Tim Monografii Daerah 1976:12). At least as important as sustaining district bureaucracy, which by then had grown to over 1,000
persons, was adjusting its structure and functioning (Monografi Kaltim 1972:139). From the start, however, it was tacitly understood that, in practice, the ban would take effect gradually, allowing the previous system of timber exploitation and trade to adjust.

From a purely practical perspective, it was difficult to make a quick transition in Berau from *banjir kap* to mechanized concessions. Although large concessions were made available by 1967, by 1969 there was only one active HPH in Berau, the PT Satya Jaya Raya concession of 50,000 ha (Monografi Kaltim 1970:72). In 1971, the number of HPH companies present in Berau increased to five, but only two were active. In addition to PT Satya Raya Raya, an Indonesian-Philippines joint-venture PT Gonpu Indonesia Ltd., activated its 150,000 ha in southeastern Berau (Monografi Kaltim 1972:82; BKPM 1988:120). The remaining concessions were either located in neighboring districts and only marginally overlapped with Berau (e.g. PT Kayan River Timber Products) or were essentially *banjir kap* enterprises that would take time to accomplish the transition to HPH status (e.g. PT Berau Timber Co., PT Indonesian Meranti Timber Co.) (Monografi Kaltim 1972:80). By 1975, it seemed that this transition was proceeding well as the number of companies holding HPH licenses in Berau expanded considerably.
Table 9. HPH concession holders in Berau in 1975

<table>
<thead>
<tr>
<th>Company</th>
<th>Area (ha)</th>
<th>License Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>PT Satya Jaya Raya</td>
<td>50,000</td>
<td>3 April, 1969</td>
</tr>
<tr>
<td>PT Gompu Indonesia Ltd</td>
<td>150,000</td>
<td>17 October, 1970</td>
</tr>
<tr>
<td>PT Tabalar Wood Industries</td>
<td>77,000</td>
<td>20 April, 1972</td>
</tr>
<tr>
<td>PT Sumber Lestari Sejahtera</td>
<td>27,000</td>
<td>3 August, 1972</td>
</tr>
<tr>
<td>PT Dwi Warna Timber</td>
<td>37,500</td>
<td>16 December, 1972</td>
</tr>
<tr>
<td>PT Hanurata Coy Ltd</td>
<td>75,000</td>
<td>21 December, 1972</td>
</tr>
<tr>
<td>PT Kayu Kalimantan</td>
<td>45,000</td>
<td>21 December, 1972</td>
</tr>
<tr>
<td>PT Daisy Timber</td>
<td>67,500</td>
<td>23 July, 1973</td>
</tr>
<tr>
<td>PT Berau Timber</td>
<td>55,000</td>
<td>6 October, 1973</td>
</tr>
<tr>
<td>PT Rejosari Bumi/PT Kalhold V</td>
<td>70,000</td>
<td>24 October, 1973</td>
</tr>
<tr>
<td>PT Pantai Harapan</td>
<td>26,000</td>
<td>8 January, 1974</td>
</tr>
<tr>
<td>PT Sentosa Kalimantan Jaya</td>
<td>35,000</td>
<td>12 March, 1975</td>
</tr>
</tbody>
</table>

Sources: Monografi Kaltim (1972), BKPMD (1988)

However, problems persisted. Despite the evident growth of HPH concessions, the majority of licensees was very slow to activate production. Some never initiated operations, and many (especially those below the minimum HPH concession size of 50,000 ha) were still halfway between HPH operations and *banjir kap*. This meant that most production came from the two earliest concessionaries. According to Berau officials, in 1975 these companies accounted for most timber production (and export) in the district, and that was reported 256,600 m$^3$ (Tim Monografi Daerah Berau 1976:12). Interestingly, the report also mentioned the continuing presence of numerous smaller enterprises (*pegusaha-pengusaha*) active in timber business such as: Fa Pantai Mas, CV Sinar Baru, Fa Sahabat Jaya, PT Uni Kris, CV Bumi Jaya, Fa Purnama, CV Tarbaya, CV
Makmur Jaya, CV Bintang Timur, CV Dwi Jaya and CV Tampo (Tim Monografi Daerah Berau 1976:12). Their status becomes obvious when other sources of information on the Berau timber sector at that time are consulted.

In contrast to official district information, economic surveys in the early 1980s reported that in 1975 timber export from Berau to Japan was just over 600,000 m³—nearly 2.5 times what was officially recorded (PT Becosurveys 1981:34). It is quite clear that the activities of small timber enterprises were not focused on operating sawmills. In the midst of the log export boom, first as a result of *banjir kap* and then because of HPH concessions, the sawmill sector in East Kalimantan grew very slowly (Koehler 1972:111). In 1969, a KFDC survey in Berau reported that there was no timber processing for export of any kind (FDC/Ataka-Pehutani 1969). By 1974, another forestry survey mentioned the presence of a few manual sawmills, but still no larger operations (Direktorat Perencanaaan 1974). Therefore, it seems obvious that the small timber enterprises were log-exporting companies left over from the *banjir kap* period, and that secured backing from the local government for a very slow and liberal adjustment to a situation in which HPHs were to play the leading role. Whether as tauke or

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132 Pemda Kaltim (1971:81) does indicate that the Berau/Bulungan forestry region had 2 mechanized sawmills by in the late 1960s. Between 1967 and 1969, annual production was 1,440 m³, whereas in 1970 it reached 1,920 m³ (Pemerintah Kaltim 1970). However, since the seat of the Berau/Bulungan forestry area was in Tarakan, it is likely that these sawmills were located there too.
front *bumiputra* enterprises, their informal contribution to the economic earnings of the district continued to be extensive.

### 4.8 Post *Banjir Kap* adjustment of the illegal timber sector

In the second half of the 1970s, however, the supremacy of HPHs became fully established. By 1984, virtually the entire land area of Berau (except for remote watershed regions) was parceled out between 16 HPH concessions covering just over 2 million ha (BKPM 1988:119). Timber production also increased dramatically. Throughout the 1980s, it averaged around half a million cubic meters per year (BKPM 1988: 121). It also continued to be the main income earner, as in 1978/79, over 46 percent of income generated independently by Berau reportedly came from forest products (PT Becosurveys 1981:31). However, the rules governing the collection of timber-based taxes began to change considerably. Although Berau was still allowed to collect taxes within such vaguely defined budget categories as *pendapatan hasil hutan* (income from forest products) or *cukai hasil daerah* (tax from district products), these were increasingly limited to non-timber forest products. Exacting local charges from HPH companies that, in most cases, obtained concessions through connections with the president’s family was increasingly was not an option. This was even more the case given the fact that

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133 The three largest HPH concessions in Berau operated with substantial participation by Suharto’s family members who held company shares in PT Rejosari Bumi/PT KalholdV, PT Alas Helau and PT Bina Segah Utama (Brown 1999). Suharto’s confidant Mohammad “Bob” Hasan was responsible for managing these companies. Two other HPH concessions, PT Barito Pacific
district leadership in Berau, following the gradual easing of the military out of top posts, was dominated in the late 1970s and throughout the 1980s by individuals who (despite bumiputra status) had identified strongly both ideologically and politically with Golkar (J.H. Masdar 1973-1980 and H.M. Armyns 1980-1990).

This has had important implications for district’s budget and the district’s economic life in general. In 1976, when cukai kayu was still in effect and generated substantial (although largely informal) revenues, Berau was not even able to pay for 50 percent of its routine expenses, and its budget of 180 million Rupiah required a subsidy from the pusat in the amount of 105 million (Tim Monografi Daerah Berau 1976:23). By 1990, the mobilization of tax revenues from non-timber forest products was vigorously stimulated again again, with bird’s-nest license auctions alone generating 150 million Rupiah and turtle egg collection permits contributing another 200 million (Pemkab Berau 1992:67). At the same time, however, the requirements of the district budget grew to about 35 billion Rupiah, largely negating these revenue gains. Even with maximization of the income from natural resources other than timber and with re-opening of coal mining in Berau by PT Berau Coal in 1983, there were still gaping holes in the budget to be filled with Jakarta’s largesse (dropping dana dari pusat). This was because finances of new investment projects in Berau such as PT Berau Coal and later on (since 1997) PT Kiani Kertas pulp and paper mill were tightly controlled by central government in Jakarta,

(Prajogo Pangestu) and PT Hanurata Coy Ltd., were also were run with participation of Suharto’s entourage.
where tax payments were deposited directly by the companies concerned\textsuperscript{134}. Only then would some of the revenues be channeled back to Berau, but their amount and dispensation time frame were always a guessing game.

Even with such centralization and tightening of the political and economic climate in Berau, there were still “gray areas” in the economy that could be used as a reward for district officials’ loyalty to the pusat, and as a means for them to make up for some of the budgetary shortages. Since HPHs were difficult to tap financially, the focus turned to the local timber processing industry, which that experienced dynamic growth in the late 1970s and early 1980s.

The tauke and front prihumi timber establishments that in 1975 still functioned in banjir kap-style as pengusaha-pengusaha kayu, began finding a niche in the fledgling timber-processing sector. In the late 1970s (1978/79), with the log exports from East Kalimantan and Berau reaching all time high, it was very difficult to get sawmill ventures off the ground because all logs, even those of lower quality, fetched good prices on overseas markets (PT Becosurveys 1981:33). In the early 1980s, however things began to change. With a log export ban in sight (1984), and enormous pressure by the central government to integrate HPHs with timber processing complexes, the time was right to open sawmill businesses in Berau. In 1981, there were already 17 officially-

\textsuperscript{134} In 1997, Jakarta also took control of issuing licenses for the harvesting of bird’s-nests.
registered mechanical sawmills operating in the district (Pemkab Berau 1981). Two years later, in 1983, this total increased to 22 sawmills (BKPM 1988:129).

The emergent sawmill sector in Berau exhibited a number of interesting features. First, sawmills were scattered in villages in the hinterland, with the majority being concentrated along the coast in the sub-district (kecamatan) Talisayan and downstream from Tanjung Redeb. Second, none of these sawmills operated in conjunction with HPH concessions. Indeed, in the late 1980s and during the 1990s, the state forestry enterprise PT Inhutani I did attempt several times to open sawmills in its Berau concession, but never with much success. Thus, it is clear that from the start sawmill enterprises in Berau were private ventures undertaken primarily by taoke\textsuperscript{s}.\textsuperscript{135}

Berau taoke\textsuperscript{s} had long been established as traders and shopkeepers who occupied virtually the entire length of the waterfront in Tanjung Redeb. In addition to retail, they had been involved in local (SMP) and export logging before and after the Second World War. They were also important participants in the banjir kap boom and played a major part as operators during the adjustment period of the 1970s. In the 1980s, an important internal division of business turf occurred in Berau. While taoke\textsuperscript{s} concentrated on larger scale enterprises such as sawmills, and activities such as the timber trade, pribumi merchants (Orang Benua) seemed to gain

\textsuperscript{135} Interviews with former timber businessmen in Berau, 2000 and 2001.
more control over non-timber forest products. It is during this time that traders, who are still leaders of non-timber forest products in Berau emerged: *Haji* Jupri (bird’s-nests, gold), *Haji* Idrus (bird’s nests), *Haji* Botak (bird’s nests) and *Haji* Saga (turtle eggs). However, independence of *pribumi* traders was often illusory. In addition to big traders, there was a multitude of smaller operators who partly, if not entirely, depended on credit financing from *tauks*. And when it came to shipping forest products to overseas markets, *pribumi* traders usually had to rely on *tauks* networks to complete transactions, as bird’s-nests buyers from Samarinda, Surabaya and even Malaysia would descend upon Tanjung Redeb during bird nest harvesting season.

It is obvious, therefore, that in the early 1980s *tauks* of Berau continued the tradition of being in control, either directly or indirectly, of both timber processing and non-timber forest product trade. With regard to sawmills, their particular concentration in Tanjung Redeb and Talisayan is indicative of the orientation of their production. Sawmills in Tanjung Redeb were strategically located (as they are today) in Gunung Tabur near the confluence of the Kelai and Segah Rivers, just downstream from the district capital (see Chapter 5 for more details on sawmills and timber trade in Berau today). This is where the largest sawmills were located. On the other hand, in the remote coastal region of Talisayan, there were smaller sawmills to be found, and these were frequently operated by *bumiputras* who subleased from *tauks*. What both areas had in common was their extremely convenient positioning
for transport by sea. And that was their primary objectives – export to Surabaya (Java) and Tawau (Malaysia).

The support for downstream processing industries in the 1980s and the resultant decline in the establishment of sawmills of any kind proved to be the most important element in legitimizing otherwise illegal logging and timber trading activities in Berau. The 1984 ban on the export of logs was particularly useful in this regard as it put local sawmill enterprises in an exceptionally favorable light because they constituted the core of the district’s downstream industry. The HPH concessionaries were reluctant to open sawmills or plywood mills in Berau, due to the relative isolation of the area, labor shortages, and transport problems. Instead, they preferred to transport logs to Samarinda, where most of the processing facilities were already established. This provided a convenient justification for sawmill enterprises in Berau not to be integrated into HPH operations. In the face of the lack of HPH sawmills, independent milling filled the void, being regarded positively as an important provider of employment and cheap construction material. However, in reality private sawmills did not obtain any timber from HPH concessionaries. Instead, they continued to procure logs through *banjir kap*-like activities. They maintained seasonal logging teams, or worked with independent groups of loggers, which cut trees near waterways and floated them downstream to sawmills. As the network of HPH logging roads in Berau expended, such logging teams were no longer limited by water transport, but also employed
trucks. Berau sawmills produced very little, if any, timber for local consumption, as most of their timber was exported\textsuperscript{136}.

Illegal logging allowed for the type of freelance lumberjack to persist. This Lumberjack bears the same name today as he did a century ago: \textit{kuda-kuda}. \textit{Kuda-kuda} indicates a team of men pulling logs over pre-arranged wooden rails from the felling site in the forest to the “loading” point where timber is transported further away by river or overland. Operationally, \textit{kuda-kuda} logging has changed very little over time. Like in the past, such teams usually number between six and eight men, two of whom work as chainsaw operators (until the late 1960s axe men) and the rest is occupied with extracting logs (Obidzinski and Suramenggala 2000a). Such logging teams consist mostly of local Malays and migrants (Bugis, Javanese). Dayaks very rarely work in \textit{kuda-kuda} teams.

There are two ways in which freelance loggers can start working in the forest: 1) if they have sufficient start-up capital, they can log on their own and sell what they harvest to whichever sawmill offers the best price or 2) if there is no initial capital available, they have to arrange with sawmill \textit{taukes} for a credit (\textit{pajar}) which will later be deducted from their log production. On average, a team of loggers in Berau can produce about three cubic meters of logs (round or squared) per day (Obidzinski, Suramenggala and Levang 2001). Although in theory income from \textit{kuda-kuda} logging should be substantial, once spells of drought, equipments breakdowns,

\textsuperscript{136} Interviews with former sawmill operators in Berau, 2000 and 2001. 200
accidents and other problems are factored in, monthly production is often much less than expected. Furthermore, once *pajar* is subtracted, loggers frequently find themselves in debt. It was precisely this kind of indentured labor relations that Dutch colonial officials complained about in the 1920s and 1930s. Such relations continued in the 1980s and are still in effect today. Perhaps as a result of the uncertainty of the income from *kuda-kuda* logging, locals in Berau take up this work as a part-time occupation or in times when other sources of income (e.g., rice fields, gardens) do not suffice.

The district police, army and forestry offices are usually well informed about the presence of such teams and sometimes they encounter them transporting logs from the forest. The officials are usually given only small amount of money and are referred to *tauke* superiors for negotiations, if these have not been conducted already (see Chapter 5 for more details).

Within such operational framework, the sawmill industry in Berau grew dynamically throughout the 1980s and much of the 1990s, despite a central government regulation in 1994 restraining further expansion of the timber processing sector in Indonesia in an effort to counter the increasing disparity between supply of raw material and demand. Allowing sawmills without official permits to operate for the sake of the well-being of the lower social classes (*rakyat*)
has been the favorite explanation cited by the forestry and security officials in Berau up until now\textsuperscript{137}.

In 1995, the official total of sawmills operating in the district increased to 30 (Industry and Trade Office, Berau, personal communication, 1999). By 1999, the sawmill sector already numbered 40 facilities (Obidzinski, Suramenggala and Levang 2001:88). However, just how much timber was processed and exported by these sawmills and what was their financial contribution to the district is not easy to estimate with precision, primarily because reliable data are not available— a continuation of the same “plausible deniability factor” that had been shielding the illegal timber sector in Berau in decades past. However, even limited official data offer interesting insights.

**Table 10. Sawn timber production and export in Berau 1993-1998**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sawn Timber Produced (m$^3$)</th>
<th>Sawn Timber Exported (m$^3$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>5,174</td>
<td>4,707</td>
</tr>
<tr>
<td>1994</td>
<td>4,738</td>
<td>4,019</td>
</tr>
<tr>
<td>1995</td>
<td>2,673</td>
<td>2,756</td>
</tr>
<tr>
<td>1996</td>
<td>3,729</td>
<td>8,542</td>
</tr>
<tr>
<td>1997</td>
<td>7,305</td>
<td>17,824</td>
</tr>
<tr>
<td>1998</td>
<td>14,230</td>
<td>31,100</td>
</tr>
</tbody>
</table>

*Source: BPS Berau (1998).*

\textsuperscript{137} Interviews with officials at the District Forestry Office (CDK), Regent’s Office (Kantor Bupati) and Industry and Trade Office (Kantor Perindustrian and Perdagangan) in 1999 and 2000.
Beginning in 1995, production and export records cease to match, as increasingly more sawn timber is exported out of Berau than is actually produced. The inter-agency lack of coordination in reporting gives an indication of the practices and processes involved. Since the political position of central government in Berau during the 1990s continued to strengthen, and prestigious mega-projects were underway\(^{138}\), such discrepancies, which are indicative of informalities benefiting district officials and perhaps district economy, were seen in as routine. Golkar and the military together essentially held absolute power in the district during the 1990s. Between 1990 and 1995, under the leadership of *bupati* H.M. Arifin Saidi, Golkar and ABRI (*Angkatan Bersenjata Republik Indonesia*, Indonesian Armed Forces) controlled 70 percent of DPRD II. After the 1997 election and with the new *bupati* Masjuni, in office since 1995, their share of DPRDI II seats increased to 80% (BPS Berau 1998:11-12).

The political domination of the district on behalf of *pusat* had tangible financial benefits. These, again, are closely related to official (gross) under-reporting of the production in the local sawmill industry. Based on direct investigation of a sample of sawmills in 1999 and 2000, my estimate of the *actual* annual production of sawn timber in Berau, is in the vicinity of 89,000 m\(^3\) (Obidzinski and Suramenggala 2000a, b). Most of this production is shipped out of Berau with local officialdom generating

\(^{138}\) At the time of its launching in 1997, the PT Kiani Kertas complex in Berau, with the with a production capacity of over half a million ton of pulp annually was the largest such mill in South-East Asia.
substantial income in the process from SAKO/SKSHH transport permits\textsuperscript{139}.

4.9 Summary

The recurring theme in this chapter is that a measure of control and discretionary power over natural resources wielded by clientelist coalitions of important local power-holders in exchange for political loyalty to the central government has been a historically enduring force fueling illegal economic activities in Berau. The historical continuity of the framework within which economic benefits have been traded for political alliances in the district has remained essentially intact until today.

In the pre-colonial and early colonial periods, Berau sultans applied the principle of \textit{pusaka} which, by incorporating dominant Dayak chiefs into the realm of royalty and giving them control over select river systems, enabled Berau monarchs to exercise a degree of control over politics and resources in remote interior regions. Subsequently, under the indirect rule of the Netherlands East Indies, Berau sultans retained a degree of autonomy in regulating the extraction and trade of natural, particularly forest, resources. \textit{Cukai kayu}, already being an important tax imposed under the \textit{pusaka} system, became a crucial part of the sultans’ ability to

\textsuperscript{139} SAKO (\textit{Surat Angkutan Kayu Olahan}, transport permit for processed timber) was replaced by SKSHH (\textit{Surat Keterangan Sahnya Hasil Hutan}, Validation Letter of Forest Products) in 1999. Both were issued by District Forestry Service CDK.
generate income and sustain the appearance of continuing political legitimacy.

The system of indirect rule in Berau continued after 1949. Now, however, it was the nationalist figures (particularly from PNI) that sought the influence and cooperation of Berau’s ruling classes in building a pro-PNI political base, particularly after the 1955 national elections. They secured such cooperation in exchange for Jakarta’s support of Berau’s faltering coalmines and minimal interference in extraction and trade of natural resources in the region. In addition to political objectives, there was economic pragmatism involved. Since the central government budget was plagued by deficits and rising inflation, there was little that could be done but let the outer provinces and districts generate the necessary funds by whatever means available.

With political and economic conditions worsening, in the late 1950s and early 1960s this arrangement continued, with an important modification that saw swapraja forces in Berau replaced by the military associated with the left wing of the PNI. In the 1971 national elections, the leading party, Golkar, did not repeat PNI’s 1955 mistake of neglect in Berau, which ensured an electoral success that was paid for by the entrepreneurial freedom accorded to local military leadership in the midst of the banjir kap boom. The military held sway over, and maintained its participation in, the illegal timber sector in Berau well into the 1970s.
The stimulation of the HPH concession sector in Berau in the mid-1970s, aimed at strengthening the economic base of the pusat, resulted in official elimination of banjir kap. However, the transition was not unilateral and there was ample room for banjir kap operators to adjust to new circumstances. They found a convenient niche in the sawmill sector, the development of which (along with plywood manufacturing) was a national priority. However, sawmill production and export activities in Berau were left out of the scope of official control. In addition, sawmills were tacitly allowed to continue to employ elements of banjir kap logging for raw material. Again, this was an economic trade-off for specific political gains: with Golkar and ABRI (Indonesian Armed Forces) being in full control of Berau politics on behalf of the pusat throughout the 1980s and 1990s, the sawmill sector served as a reward not only for the personal but also institutional use of their clients.

Thus the illegal timber sector in Berau exists in a historically-constituted process of give-and-take in which political influence is exercised in exchange for flexibility of economic maneuvering. The next chapter will discuss such interactions in greater detail, in particular at the level of interpersonal relationships.