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

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CHAPTER 5

PATRONAGE AND CLIENTELISM IN TIMBER TRADE IN BERAU

In the preceding chapters, I have discussed the developments of the economic setting and government system that led to the establishment of illegal logging and timber trade as inseparable parts of the political and economic life in the region. The history of financial constraints and of governance based on clientelist networks emerge as important stimulating forces that have rendered illegal timber sector expedient.

This chapter will focus upon the dynamics of clientelist coalitions within the district of Berau in the late 1990s. Its objective is to show how exchanges characteristic of such coalitions are shaped at the level of personal experiences. By doing so, the chapter seeks to convey a tangible sense of how the “doings” of the illegal timber sector actually take place.

To present a detailed description of the processes driving the illegal timber sector, I draw on an account that follows closely the career of a Berau timber entrepreneur named Samson. I first describe the preliminaries of Samson’s entrance into the informal timber sector, such as ensuring the backing of the district’s security apparatus and generating the start-up capital. Then, I discuss considerations and strategies involved in the process of locating and constructing a
sawmill, organizing log supplies and maintaining daily sawmill operations. I then present the practices associated with dispensing financial contributions to security officials and other government institutions in order to ensure stability and undisturbed continuation of the enterprise. The chapter closes with the analysis of the organization of sales and export practices.

5.1 Towards a sawmill enterprise – establishing a network of strategic relationships

The story of Samson offers insights into socio-political strategies employed in organizing informal timber enterprises, such as sawmills, in Berau. Samson is a man in his early thirties who has recently migrated from the neighboring kabupaten, Bulungan. He moved to Berau with his family in 1995 and settled in the town of Gunung Tabur. Although at the time of arrival he did not have clear plans to become involved in the timber business, his new place of residence was in many ways propitious to entering into the business, as Gunung Tabur is the area where most of Berau’s sawmill industry is located.

Despite his reputation among family members and neighbors as a “hothead” who talks and acts fast, within two years Samson managed to establish and successfully run two small sawmills near the river bank in Gunung Tabur. This success was due to many factors, not the least of which was the participation of his father, who has extensive working experience in sawmills in Bulungan. However, in addition to necessary managerial and technical skills,
there were certain unconventional organizational abilities required, as both sawmills were established and operated without any legal or administrative procedures. In order to understand how Samson managed to accomplish that, it is necessary to look into his life history and background before to his arrival in Berau.

Samson grew up in Tanjung Selor, the administrative center of the district of Bulungan, as well as in the nearby trading center of Tarakan. Until the early 1990s, some of his close relatives worked in the district forestry office (CDK, Cabang Dinas Kehutanan) in Tanjung Selor. It was they who introduced him to, and over the years made possible to establish closer relations with, other staff officers. Among the primary venues for interacting with forestry officials were related to diverse gambling activities, such as card games and cockfights. Since his late teens, Samson would regularly attend gambling sessions in commonly-known (although officially non-existent) locations where he would meet police officers, military personnel and forestry staff. It so happens that officials from these branches of government administration, particularly of medium and lower ranks, undergo frequent post rotations (mutasi) that take them on alternating tours of duty to other parts of East Kalimantan and beyond. As a result, it is highly likely that a forestry official or a police officer posted at one time in Tarakan would be carrying out his tasks in other neighboring districts in two or three years later.

This was exactly the case when Samson and his family moved to Berau in 1995. Uncertain of what kind of business to engage to
earn a living, he was helped in making this decision by friends from among local police officers known to him from Bulungan and Tarakan. This decision was to try work at a local gambling den, which he viewed first as a means to generate income and also as a hobby. His wife Ina would dispute such an assessment, insisting that the order of his priorities was most definitely the reverse.

Aided by police acquaintances, Samson was able to secure a job in a gambling place (tempat judi) run by Haji Cerana who formerly was also a timber trader in Berau. Haji Cerana was a bumiputra in the sense that he was born in Berau and was therefore considered “orang Berau” (Orang Benua), although he also acknowledged Buginese elements in his ancestry. A few years before he had fallen on hard times as a result of a series of business misjudgments and only gradually was he regaining his footing. In the early 1990s, he made a name for himself as a major trader in squared logs (bantalan) in the subdistrict of Talisayan. With the capital (modal) borrowed from tauke (turned haji) Joni, Cerana (he was not haji at that time) hired teams of kuda-kuda loggers to produce stacks of bantalan logs, which he subsequently shipped to Tawau in Malaysia. He was very successful in this enterprise, making substantial profits, repaying start-up debts and establishing a vigorous business that was a rare example of independent bumiputra entrepreneurship in the area. In 1993, he was even able to make a haji pilgrimage on his own.

Two factors contributed to his downfall: 1) overextension of business activities beyond timber into the less familiar territory of
bird’s-nests and other non-timber forests products and 2) fraud by a number of his “subcontractors” in several crucial timber deals. The timber business is nearly always based on unwritten agreements that require a trust that is gradually established. However, no matter how long business partners interact with each other, surprises are bound to occur. Having invested heavily in the expansion of bantalan business, one day that some of Haji Cerana’s lieutenants, after having sold timber in Tawau, disappeared with cash and never reported to him again. Some contractors, having obtained substantial cash advances ostensibly in order to establish their own logging operations, but in reality to deliver all production to him, vanished immediately after the desired advances had been secured. Being essentially bankrupt, Haji Cerana temporarily withdrew from timber business and, with finances obtained again from Haji Joni, started a gambling business in Tanjung Redeb.

It was at the time of the severe downswing in Haji Cerana’s fortunes and at the relatively early stage of his gambling business that Samson sought to become one of his “staff”. He began by selling tickets for a tri-weekly lottery from which he was allowed to keep 20 percent of generated revenue. In order to maximize his sales, he hired “runners” for a small portion of his share. Samson did well in his new job, and he gradually made a name for himself as a heady operator.

Haji Cerana’s house served as the base for games (cards, chess, etc.) that operated 24 hours a day. Every now and then, the players would take time off in order to seek a change in the setting and
seek new excitement. Most often this meant a trip to the nearby cockfight arena. The arena was run by the police officers and it was located outside of town (about 20 minutes by a small motorized canoe or *ketinting*) near a defunct HTI plantation in order to keep its profile low. Many people in Tanjung Redeb are avid fans of cockfights. Raising and selling roosters for such fights is also an important occupational activity. It was therefore not long before Samson was involved in cockfighting, buying roosters and waging on them the money earned with lottery sales.

Months passed and it became increasingly clear that, financially, the gambling business would lead Samson and his family to nowhere. As a result, his wife in particular began pressuring Samson to think of something else. His father suggested that they start a small sawmill business together. This, he said, could have good prospects as Samson had already established the necessary relationships with local Police officers and forestry officials, whereas his father had the necessary experience and knowlegde.

Samson brought up the sawmill idea at Haji Cerana’s house and received an encouraging response from his police acquaintances who indicated that they would “back him up” in exchange for regular, although unspecified, financial consideration. Their backing essentially constituted a “green light” for Samson to proceed with his plan. The specifics of compensation for legal protection would be worked out later as the sawmill business became established and developed operations.
Equipped with a loan of Rp 40 million from Haji Joni (the dispensation of which was mediated by Haji Cerana) Samson and his farther began processing their first timber within a month.

5.2 Locating and constructing a sawmill business

The prime factor rendering Gunung Tabur a strategic location for sawmill operations is its location near the juncture of the Segah and Kelay rivers, main communication arteries in the district of Berau. In addition to securing easy transportation access for raw material and product shipments, one of other key concerns for sawmill operators is ensuring, inasmuch as possible, the confidentiality of compound activities.

This is accomplished by placing sawmills either upstream from Tanjung Redeb or just downstream from it. Thus, when standing at the waterfront (pelabuhan) in Tanjung Redeb, one does not see any sawmills, although there are nearly 30 operating in the immediate vicinity. Keeping sawmill grounds out of sight is also accomplished by boarding them off with high wooden fences, corrugated iron and barbed wire, particularly if they are located near roads. The official justification for such measures is the necessity to secure the premises from theft. However, in the majority of cases, the perimeter fences of sawmills in Berau are clumsy structures that could be penetrated easily by a potential intruder. They are clearly useless as physical defenses, but play an effective role in guarding against visual penetration of the compounds.
However, Samson did not consider hiding his sawmill from the public an important issue. He thought there was no need to hide because his sawmill was small and the production, being low, was likely to attract relatively little attention from local government officials. In any case, he openly announced his sawmill plans, and he could not simply try to hide them. Government officials were sure to frequent his sawmills sooner or later.

Log pond at a large sawmill
5.3 Operating sawmills and securing log supplies

Putting together a working team for a sawmill requires decisions, particularly as far as the selection of the foreman (kepala meja) is concerned. The skills of kepala meja are decisive in the quantity and quality of production. For that position, Samson’s father hired a Banjarese bandsaw operator from Samarinda, who had arrived in Berau a few months earlier and was looking for work. As his subordinates, he selected five men from the neighborhood who had learned about the planned sawmills, were eager to try and each had some appropriate work experience.

With such basic preparations complete, the team set to work constructing the mill. Within a week the sheds, working areas and the manual winch for hauling logs from the river onto the sawing table were in place. The purchase of a diesel engine to power the saw blade and the installation of the engine took another week to accomplish. The remaining equipment, such as chainsaws and a small electric generator, were bought second-hand.
As the sawmill team was being recruited, Samson went about exploring venues for supplying the enterprise with logs. Many people in Gunung Tabur work as loggers for sawmills in Berau. Normally, they form logging groups that are contracted by sawmills and, in theory, they deliver logs only to their sponsors. Because the contracting parties provide cash advances to logging crews, they claim exclusive rights to timber that the latter produce. In practice, however, buying timber from someone else’s logging crews by offering slightly higher prices is common in Berau. This is one of many risks involved and the only way to minimize it is to seek persons that one knows best and to offer competitive prices for timber from the outset. There are few, if any, sanctions that can be imposed on those breach contracts by selling timber to other buyers. Loggers routinely offer explanations such as floods, accidents, slow work progress, etc. (which may be partially true) in
order to deflect suspicions about and criticisms of sawmill "bosses". The latter are not in position to do much except to be patient and provide financial incentive for loggers to "do better" next time.

Some sawmills try to reduce the risk of losing the contracted timber by setting up operations in the proximity of logging activities. By positioning sawmills relatively far upstream, the operators aim to ensure that the competition does not capture "their" logs while they are transported on the river. This makes some sense indeed, but there are other important considerations against it. While the risk of losing contracted timber may be minimized, and opportunities to buy logs belonging to other operators may increase, the main problem associated with the upstream location of sawmills is transport difficulties for export. This is particularly true if buyers of sawn timber arrive in Berau and anchor their ships relatively far downstream, which usually happens.

During the beginning period, Samson and his father had to rely entirely on buying timber contracted by others because they could not yet afford to sponsor logging groups of their own. Samson also tried other options, such as scouring the log ponds of local HPH concessionaries in search of either substandard timber, and unofficial (and therefore affordable) purchase arrangements. Buying standard HPH timber for local sawmill processing is cannot be considered because it is too expensive. Samson obtained HPH logs several times, but it was a very short-term option only. Even though the quality of the timber he obtained was high, it did not
translate into higher profits from the sales of sawn timber, because
the buyers from Surabaya and Tawau were after a certain standard
in product quality, no less and no more. They wanted medium-
quality roughly-sawn timber without knots (mata buaya) or cracks
that they could subsequently re-process into value-added products.
Therefore, cheap logs were an absolute must for Samson.

The best way to buy logs is to select a mixture composed of items
of higher and lower quality at the ratio of 60 percent and 40
percent, respectively, and to bargain a uniform price for the whole
unit (pukul rata). The to such a strategy is that one ends up paying
moderate to low prices for logs that are general of high quality.
However, such arrangements are not possible if one buys timber
furtively from HPH log ponds. Samson was well aware of this, and
as soon as his funds were more liquid, he contracted two logging
teams for exclusive log supplies.
Loggers hauling timber *kuda-kuda* style
As steady supply of logs is crucial to developing and sustaining a sawmill business. Sawmills dotting the riverbank in Gunung Tabur both downstream and upstream from Samson's location often stood idle for weeks or even months due to the lack of logs. The unpredictability of log supplies was particularly acute during the dry season, from June until October because dropping water levels made it impossible to float logs out of the forest. During such difficult times, many sawmills would turn to land transport, particularly if their logging teams were located in the proximity of HPH roads. Samson was in a fortunate position because his logging groups operated in the Birang River area that is dissected by HPH roads as well as by a provincial road connecting Berau with Bulungan. During the dry months, he obtained most his raw timber by trucks. Other sawmills, particularly large ones, experienced serious supply difficulties despite ferrying bantalan logs by boats from the coastal forests of the Talisayan subdistrict.
Transport of logs to the sawmill with a truck

Four-wheel-drive vehicles can also be fitted to transport timber

There was still one other important issue to be sorted out before Samson could commence milling in the earnest securing buyers for the product. Timber exporting firms and individual buyers from Surabaya (Java) and Tawau (Malaysia) have representatives posted
in Berau whose task it is to scout out product availability, conduct quality assessment and place and deliver orders. They are in daily contact with headquarters, receiving instructions and specifications for orders and reporting on shipments in preparation and those already in progress. They are also responsible for working out “compensation agreements” with local security, forestry and industry officials. Sawmill operators prefer to keep complications to minimum, limiting themselves to loading timber on vessels docked in their log ponds. Subsequent to this their responsibility ends. It is true that the prices paid for timber at sawmill docks are considerably lower than what they are if the timber is delivered directly to the ports of destination. However, coordinating logging operations in the forest, processing it and then delivering it over long distances – all as one routine operation – would be an excessively complicated undertaking.

Samson did not have much choice in selecting his own buyers. Since his sawmill was financed with a loan from Haji Joni, Samson was obliged to coordinate sales with him, at least for some time after starting. Accordingly, he was asked to consult with a timber buyer by the name of Jon who could be contacted through Aseng a local shopkeeper who often acted as a contact facilitator between sawmill operators and timber agents. Jon was a Buginese in his late thirties who, in his teens, began as a sawmill worker in Sabah, Malaysia, where he and his parents resided permanently. After years of hands-on experience, he became a scaler (or timber quality specialist) and was frequently posted on the Indonesian side of the border. In recent years, he had become an agent for a timber-
exporting firm by the name PT Emporium Indah in Surabaya. He now had five scalers under his supervision. Whenever timber processing picks up, they would rush to buy as much as possible before the flow ebbs due to drought or other impediments. They would buy timber and send it to Surabaya where it is stocked for year-round shipments to Europe in containers of various special sizes. Jon was lured away from Sabah to Surabaya an attractive remuneration package, consisting of a base salary and monthly bonus, both payable in Singapore dollars, offered by PT emporium Indah. He also had an Indonesian wife whose family lives in Surabaya.

Jon was a major client of Haji Joni’s sawmills in Berau and Samson, operating on Haji Joni’s capital, quickly came to an understanding with Jon regarding product specifications, prices and transport arrangements.

5.4 Ensuring business security by dispensing financial contributions

Once the sawmill business began to operate and the first shipments were in sight, functionaries from various local government institutions began to appear at the gates of Samson’s sawmill. Alternating visits by police and military personnel took place two to three times a week. CDK staff would make a call approximately twice a month (see Obidzinski and Suramenggala 2000a, b; Kaltim Post 2001d). Most of the time, the police and the military would ask for small monetary contributions (uang rokok), or for donations
in kind (i.e. timber), which they could liquidate elsewhere (see Kompas 2002a). Samson’s strategy was to always have envelopes with Rp. 20,000 bills (US $ 2) ready at hand to finalize such visits as quickly as possible.

Such, whether military or civilian, usually headed straight for “office headquarters” where they are invited to coffee or tea and spend time conversing casually. As the conversation draws to an end and guests are walked out towards the gates, envelopes are handed over. During the whole process, the subject of money is scarcely mentioned. However, when money is in short supply and timber is offered instead, more direct negotiations are sometimes needed in order to come to a mutually acceptable agreement.

This also happens when individuals collecting (or claiming to collect) donations for various military or police organizations (yayasans) knock on the sawmill’s doors. They arrive carrying letters from the command (atasan) that not only request financial contributions, but also specify the minimal amount acceptable. Samson became very adept at recognizing such missions and often would simply pretend to be unavailable. He would send his assistants to inform the visitors that the “boss” had to attend business elsewhere urgently and hand over an envelope with the amount agreeable to Samson. There were times, however, when it was too late to employ deceptive tactics of this kind, and when direct encounters were unavoidable. In such cases, yayasan visitors would often protest the at relatively small contributions offered and would insist that they be given more. Confronted with such
demands, Samson’s last line of defense was to exclaim that everyone wanted to ruin his still fledgling business with merciless scalping. He would then refer them to his patron Haji Joni for further discussions. As the leading logging and sawmill operator in Berau, Haji Joni is known to have special arrangements with commanding police and military officers whereby, in exchange for generous regular monthly payments, he is given a free hand to pursue logging and timber trade activities. In addition to paying police and army officers what are essentially private monthly salaries, he also provides finances for their work, business and leisure travel.

Sawmill operators such as Samson are not the only sources of such informal income. Loggers are also frequent targets, despite their working in remote forest locations. They are most vulnerable to pressure from security and forestry officers when they are transporting timber to sawmills by rivers or roads. Whenever encounters occur, the loggers are asked to pay uang kaget, or surprise money\(^\text{140}\). However, the amounts involved are comparatively small, as they normally do not exceed Rp. 10,000 (US $ 1) per encounter. They could become a problem if a shipment of timber stumbles upon local government officials several times during the same trip. In such situations, loggers try to trick their way out, in a manner similar to Samson’s by calling

\[^{140}\text{In Berau uang kaget is used to depict situations in which police or forestry officials “surprise” the loggers while the last are transporting timber without documents.}\]
upon the name of Haji Joni’ – regardless of whether he actually sponsors them or not.

5.5 Smuggling timber to Sabah, Malaysia

After the first deliveries in mid-1997, Jon was not the only customer frequenting Samson’s sawmill in Gunung Tabur. Prospective buyers from other parts of Kalimantan (Samarinda, Banjarmasin), Java (Tegal, Gresik), Sumatra (Palembang) and from Malaysia (Tawau) also began to appear. Timber agents are particularly interested in small and medium size sawmills, because they are always on lookout for purchase bonuses, i.e. the difference between target prices set by the headquarters and actual prices paid, which they are often able to bargain down. As smaller sawmills are generally more easily pressured on the subject of prices, many buyers select them on purpose. The perceived drawbacks and limitations of small sawmills, such as their low production capacity, difficulties making timely deliveries and problems standardizing their product, are usually offered as a justification for lower prices.

However, these and other shortcomings of small sawmills can be compensated for with skilled manpower and a degree of improvisation. It is often said in Berau that small sawmills are not able to produce moulding timber for export either to Java or
abroad. However, Samson’s production consisted almost entirely of molding, with very few local sales. He was able to achieve this as a result of modifications to the sawtable, because he use precise measuring instruments and simply by working carefully.

Samson and other small sawmill operators are of the opinion that their products are as good as those of larger sawmills. Yet, they fetch lower prices because of the aforementioned perception of operational limitations. There is little that they can do to overcome these obstacles. Establishing direct contacts with buyers in Surabaya are difficult because of distance, logistical difficulties and the fact that the latter operate through a network of agents posted in Berau and other places. In such circumstances, if one wants to sell timber at the “real market price” the only alternative is to sell it across the border at the barter trade center in the port of Tawau in Sabah, Malaysia.

There are several advantages that Tawau offers to sawmill operators from Berau and from other parts of East Kalimantan. First, it is much closer than Java. Second, there are no unofficial fees to be paid on the Malaysian side. Finally, and perhaps most importantly, prices for squared logs and roughly sawn timber in Tawau continued to be considerably higher than in Indonesia.

141 Moulding is a finely sawn timber used to make “moulds” for pouring concrete in the construction industry.
despite a downward trend in prices that has taken hold since the onset of economic crisis in Asia in 1997\(^\text{142}\).

This considerable price advantage is to a large extent caused by devaluation of the Indonesian Rupiah. But it is also made possible by better organization and efficient coordination of barter trade activities by the leaders of timber industry in Tawau, Sabah. Barter trade between the Malaysian state of Sabah, Indonesia and the Philippines has a long history, being in effect essentially since the colonial period. However, in order to create a framework for barter trade activities, the Tawau Barter Trade Association (BATS) was formed. In 1993, the association began lobbying the state government to reduce import duties on timber entering from Indonesia through barter channels (Daily Express 2001a; Daily Express 2001c). In this, they found strong support from one of the largest timber industry organizations in the region – Sabah Timber Industries Association (STIA) (for more on the relationship between BATS and STIA, see Chapter 5). In July 2001, under the leadership of the newly elected president and a leading timber trader in Tawau, Mr. Frankie Seng, BATS successfully had timber importation duties reduced from 40 to 10 Malaysian Ringgit (MR) per cubic meter.

\(^{142}\) Between 2000 and 2001 alone, prices for plywood produced in Tawau declined by about 35 percent (MTIB, Tawau Branch Office, personal communication, October 2001). During the same period, stagnation in the Japanese economy and increased competition among plywood producers caused Indonesian plywood to lose nearly 50 percent of its export value.
By reducing the administrative costs of obtaining Indonesian timber through barter, Tawau has remained a very competitive and attractive market. Recently, this prospect has received a further boost by plans to improve and expand barter trade facilities in Tawau substantially (*Daily Express* 2001d).

Given such promising remuneration prospects, Samson decided to test Tawau markets in May 1999 get first to hand experience in conducting timber trade across the border. He had already been to Tawau a few times while still in Bulungan, but it was to be the first time that he would invest his own money on such a trip.

There are two main ways of smuggling timber from Berau to Tawau. Samson described them as “wild runs” (somewhat jokingly, he also calls this *sistem kowboi*, or cowboy system) and “coordinated runs”. The common feature for both is that transport of timber is never undertaken with a single boat. Rather, the run is always made by a number of vessels, preferably three or four. The boats travel at intervals to minimize the risk of being caught. The underlying calculation is that if a portion of the shipments is seized and does not make it or incurs heavy bail-out costs, the rest still produces a good profit. Even if only one out of four boats makes it to Tawau unhindered, the losses are covered.

The choice between “wild” and “coordinated” runs depends on available connections with security and forestry officials. “Wild” runs are undertaken when one does not know (or cannot afford the

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143 The boats usually have a capacity of 50-60 tons.
services of) persons in position of power whose patronage could be
usefully employed for protection. Wild runs are rare. Rather,
coordinated shipping is the preferred means of conducting timber
trade, because it carries fewer risks and complications are
minimized.

The arrangements for coordinated shipping can be made before to
derparture. If big traders and large shipments are involved, local
police and military commands in Berau (Polres and Kodim) are
consulted beforehand and appropriate payments are made.
Subsequently, these institutions inform subordinate posts along the
Berau River and on the coast that it is “OK” to let a specified
shipment pass through unhindered. These posts will almost
certainly stop the boats anyway, seeking additional fees, but
without causing great complications. The unofficial fees paid in
Tanjung Redeb may be higher if the police and/or military contacts
can arrange with their counterparts in Tarakan and Nunukan for a
safe passage all the way to Malaysia. This requires for further
dispensation of financial benefits to the units from Tarakan and
Nunukan when the latter meet up with the shipment at sea. In total,
unofficial expenditures of this kind are estimated at about 10
percent of the cargo’s value in Tawau.

If contacts with police or the military are limited, BATS is in
aposition to provide some assistance. Help is available through
BATS staff members, like Mr. Bata who, due to extensive

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connections with border patrol staff and custom authorities on the Indonesian side of the border, functions as the association’s troubleshooter.

Mr. Bata is a Bugis originating from Makassar in South Sulawesi. When he was a child, his parents settled in Tawau where he has lived ever since. He began trade activities as a small time smuggler. Before he became involved in timber, he trafficked such goods as electronics, cigarettes and cosmetics between Indonesia and Malaysia. He had quickly built a reputation as a deal fixer and a violent “debt collector”. He proudly admits to spending time in jail in Indonesia for punishing renegade business partners in a way caused them serious physical harm. This fearsome reputation enabled him to find a job as a “contract enforcer” with several tauke timber enterprises in Tawau. Having provided cash advances for logging in Indonesian territory, taukes regularly faced numerous follow-up and delivery problems resulting from defaults, fraud and non-compliance. Therefore, for the taukes it was very important to have someone capable of making sure that agreements were followed up on.

Relying on networks and connections from his early days and developing them further, Mr. Bata became very efficient in making errant contractors in Indonesia face up to their commitments. Having built up trust among Tawau taukes, he in turn secured from them capital which he used to start logging activities of his own in East Kalimantan. In time, he had kuda-kuda logging teams working throughout the northeastern part of the province (Nunukan, 231
Bulungan, Berau) and even delivering timber from as far as Central Sulawesi. Thus, his connections were extensive and his reach far-ranging.

Small timber operators and traders usually travel only at night with their lights out to avoid detection. Before daylight breaks, they anchor in the estuaries of small rivers and wait for the cover of darkness to continue their journey. Alternately, they go far out to sea, circumvent Tarakan and reach Sabah through international waters.

Timber shipment out of the area by boat

The last stop before crossing the border into Malaysia is just south of Nunukan. As night comes, boats make a dash either across Sungai Nyamuk or around Sebatik Island and on to Tawau. Almost without exception they are stopped at Indonesian checkpoints where negotiations ensue and payments must be made. If for some reason arrangements turn out to be more difficult than expected and
the timber cargo is temporarily seized, Bata’s services are requested. He is the one who arrives on the scene, negotiates and ensures that shipments are released.

Samson decided to embark on a joint timber trade trip to Tawau with one other Berau sawmill manager, aiming to employ Bata’s services in case of trouble. It turned out that his former employer at *tempat judi*, *Haji* Cerana, did business with Hata while still working his logging crews in Talisayan. As a result, *Haji* Cerana was in position to facilitate contact between Samson and Bata and to inform the latter about the planned delivery.

The shipment consisted of three boats with a capacity 45-50 m$^3$ each. The boats left Berau uneventfully one day apart. All were briefly stopped near the estuary of the Berau River by a patrol from the village of Mangkajang, close to the PT Kiani Kertas pulp and paper plant. After each boat made a payment of Rp. 250,000, it was free to go. The boats passed Tanjung Batu at night without problems and stayed for the day near the estuary of the Binai River, southeast of Tanjung Selor. At dusk, they continued the journey making a wide detour into the open sea to go past Tarakan, and at dawn they anchored again in the delta of the Sembakung River. The following night, the boats began the final stretch of the trip to Tawau. Two went through Sungai Nyamuk and one around Sebatik Island. All were stopped, and after making payments ranging between Rp. 1.5 and 2 million, they crossed to the Malaysian side. There, having their shipment registered by customs and having importation fee of 10 Malaysian Ringgit per cubic meter paid by a
BATS representative, they entered Tanjung Batu port area in Tawau.

Like many other timber traders calling on Tawau, Samson’s group was eager to dispose of their cargo as soon as possible to complete their mission and reap their rewards. However, they had to queue in a long line of Indonesian timber boats waiting to have their cargo unloaded at the docks. Large-wheeled forklifts picked up squared logs and roughly sawn timber from the boats and deposited them in designated areas. Consignments destined for particular sawmills in Tawau were labeled. The rest was arranged into huge piles of timber that was subsequently sold and delivered to timber processing complexes in the Tawau area. Official Sabah trade statistics indicate that in 2000 and 2001 log imports from East Kalimantan were in the order of 150-200,000 cubic meters\(^\text{145}\) (Smith \textit{et al}. 2002).

\(^{145}\) Crucial interviews with BATS and Sabah Forestry Department officers stationed at the border entry checkpoints on Sebatik Island in October 2001 were facilitated by a trusted informant at the BATS office in Tawau.
Bata’s people came aboard and offered to buy Samson’s group’s shipment. They pointed out that Bata could always be counted on for future assistance and protection. There was also a possibility of obtaining loans for working capital, if Samson and his friends were interested. For the timber cargo, they were offered 550 Malaysian Ringgit (approximately Rp. 1.1 million, or US $ 110) per cubic meter of red Meranti, about 500 M.R. for Keruing and 450 for other Meranti species. The prices seemed reasonably good, nearly two times higher than in Berau. Without much deliberation, they accepted.

The group received about 45,500 Malaysian Ringgit for the entire timber load. Once the relevant shares were calculated, the average earnings amounted to approximately 15,000 Malaysian Ringgit, or Rp. 33 million, per stakeholder. They were relatively satisfied and
planned to make another trip as soon as there was a sufficient stock of quality sawn timber for export. As they made plans for the future, they jokingly fancied being able one day to by-pass BATS and sell timber directly to sawmills and plywood mills in Tawau. It is common knowledge that BATS makes a profit of 30 to 40 percent on the raw timber it buys from Indonesian traders and subsequently sells to Sabah wood industries. However, knowing that the more sophisticated world of the timber business is beyond the reach and capacity of small-scale traders, Samson’s party felt good about what they had already accomplished and embarked on the way back to Berau.

5.6 The case of NV Star Orient ship

A few months after the trip to Tawau, a new and different opportunity for timber business presented itself to Samson. In July 1999, while stopping by the gambling parlor of Haji Cerana, he heard that a big timber deal was in the making in Tarakan and it was likely that subcontracting would be available soon.

Two weeks later, a locally prominent timber “fixer” by the name of Edy began contacting selected sawmill operators in Berau with more information, in particular on the work terms offered. Edy would become a household name in official and business circles in the district (and East Kalimantan as a whole) as a result of a timber smuggling case involving a ship called NV Star Orient. However, even before that, he was one of key figures the local timber sector,
a position that he owed, in no small degree, to his association with one of three timber kings in Tarakan, Tomi.

Tomi along with Dedy and Jerry (all ethnic Chinese) are important individuals in Tarakan, because they control informal the timber business in the northern part of East Kalimantan. As indicated in Chapter 2, these men are descendants of *taukes* from Tarakan who in decades past were successful in shopkeeping and the trade of non-timber forest products. Only Tomi, being the oldest among the three (mid-fifties), took an active role in *banjir kap* logging by helping in his father’s enterprise in Bulungan. The other two, being in early and mid-30s, were too young even to remember that period. However, their fathers did put some capital into *banjir kap*, as was the case with nearly every trader in Tarakan at that time.146

In the 1980s, connections with local government and military officials dating back to the *banjir kap* period and high value non-timber forest products produced an important opportunity to work with HPHs. It entailed carrying out construction work and supplying heavy machinery for HPH concessionaries in the area. These turned out to be very lucrative assignments that allowed Tomi, Dedy and Jerry to build their own small businesses empires and expand the associated networks of protection relationships far beyond those that what their predecessors had established. Therefore, it was a relatively small step for them to move from the HPH supply business to independent timber trade. Hundreds of

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146 Interviews with members of *tauke* communities in Tarakan, Tanjung Selor and Berau, 2000 and 2001.

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Logging teams worked for them throughout the area. In the late 1990s, as these teams were becoming increasingly mechanized and the need for diversification businesses more urgent, Tomi, Dedy and Jerry moved to clear thousands of hectares of mangrove forest (bakau) to establish shrimp farms.

Tomi’s involvement in the *NV Star Orient* operation and his recruitment of Edy in Berau was the result of the clout that Tarakan timber kings possess in Sabah which is absolutely essential for any kind of cross-border deliveries\(^\text{147}\). The timber kings assistance was precisely what was needed when the manager of the Sumber Kaya Sdn Bhd Company in Tawau was approached by a group of South Korean businessmen about a possibility of procuring 5,000 m\(^3\) of logs illicitly from East Kalimantan. With such a substantial order at hand, Sugi Kaya manager contacted his associate in Tarakan, Tomi, to explore the feasibility and logistics of delivery.

The latter thought a shipment of this kind entailed some risk but that it could be organized. Tomi was confident that through a network of his operators, it would be possible to generate the volume required. However, an up-front payment of 50 percent would be necessary because the operational networks below him required down payments to carry out the work. The remaining 50 percent would be paid when the shipment departed form the procurement area. Moreover, the Koreans were to provide additional money for arrangements with forestry and security

\(^{147}\) Interviews with two timber brokers in Sandakan, Malaysia October 2001.
officials in Berau and Tarakan (dana operasional). Should anything go wrong, Tomi as well as all his subordinates would disavow any involvement and no reimbursement would be forthcoming. However, if the shipment became impounded, he would continue working through contingency plans, for which the Koreans would have to provide additional funds. They accepted these terms without much deliberation. The only condition they put forth was a field visit to the area chosen as “the source” once Tomi’s men prepared the plan. They had done this before and they knew from other timber firms in Tawau that these were the commonly accepted terms of work across the border. The risks were high indeed, but they could be managed if one worked through appropriate people. If successful, the operation promised a windfall or high profits back in South Korea. Therefore, the financiers made Tawau their home for the next several months so that they might follow developments.

Meanwhile, Edy began mobilizing the local logging network in Berau to organize the operation. He decided to focus on small and medium-size sawmills as suppliers and he invited their managers to evening meetings. Edy is not considered a typical timber business figure in Berau. This is because he is young and successful in an environment dominated by older men who only gradually attained positions of relative social and economic importance. In contrast to them, Edy is a Banjar who, after working for Tomi in Tarakan, moved to Berau only in 1996. Another that distinguishes him and enhances his standing further is that his wife is of mixed (Indo) descent. Thus, associates from the industry and the local
government frequented Edy's house on various pretexts in order to see his very European-looking wife and child.

Edy had several logging groups working in Berau at that time, with all production exported via Tarakan. Politically and economically, he was a very astute observer who learned quickly how to operate in the changing environment that resulted from post-1998 decentralization. He was one of the first logging operators in Berau to apply through village communities for small scale logging concessions that became legally available at that time (see Chapter 5 for more details about these developments). However, the NV Star Orient operation required a volume of timber that he would not be able to deliver alone. Therefore, it was necessary to mobilize a larger force. He made phone calls and went around on a motorcycle to meet and talk with sawmill operators. Samson was among those visited and invited to join the meetings.

Edy's decision to focus on small and medium-size sawmills in Berau as suppliers for the planned operation was not incidental. Nearly 75 percent of all sawmills in Berau are either of a small or medium size (Obidzinski and Suramenggala 2000a, b; Obidzinski et al. 2001; Casson and Obidzinski 2001). In order to secure the necessary supplies of logs for processing, these sawmills maintain numerous logging crews in the forest. It was this wide network of

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148 It was a common knowledge in Berau that Edy, as a result of his association with Tomi in Tarakan, was well connected to local police and army and court officials. His personal wealth was considerable, although he lived in a modest one-store house. In late 1999, on a whim he bought a Mitsubishi Kuda family car on a whim and was widely believed to be able to generate up to Rp. 1 billion of his own capital on short notice.
logging groups that Edy was after, because they constituted the key to the fulfillment of the order for **NV Star Orient**.

In addition to logging teams operated by sawmills, independent logging groups were called to boost production capacity and minimize delays. Each group that committed itself to the project was responsible for delivering a quota of about 300 m$^3$ of quality logs, a mixture of red *Meranti* and *Keruing*. The target had to be fulfilled within two months and the participants would be given a 30 percent down payment, with the rest payable upon the departure of the shipment from Berau$^{149}$. Edy was in charge of all arrangements with the police, and forestry and military officials.

Samson had two logging teams working in the forest at that time. Each produced about 3 m$^3$ of logs per day. Baring grave technical breakdowns or weather impediments, it would take them about two months to produce the target quota. Since most of the contracted groups already had some logs stockpiled, it was expected that they would have the timber necessary to complete the order on time.

Following the successful outcome of the organizational phase, Edy needed to complete the preparatory proceedings by making strategic “contributions” to the local police command (**Polres** Berau), military (**Kodim**) and forestry office (**CDK**). He did so with the rest of the money left from the initial bank transfer he

$^{149}$ The price that Edy offered was well in excess of prices for top quality sawmill logs in Berau. As a result, logging groups and their operators made a profit of Rp. 150,000 (or US $ 15) per cubic meter.
received from Tawau and Tarakan organizers. Thereafter, he signaled to Korean investors that the time was right to visit Berau to see the situation firsthand.

The Koreans arrived on short notice. They stayed in the Berau Plaza Hotel, the best hotel in town, and tried to take on the appearance of tourists, by making trips to the nearby Derawan islands. Mornings they would spend in restaurants at briefings with Edy. Then, accompanied by guides, they would visit a few of the contracted sawmills. In the evening, they would take time off to relax in karaoke bars. Edy wanted to keep his direct involvement with the guests to a minimum to avoid unnecessary attention. Nevertheless, the visit did not go unnoticed. The local authorities knew well that the Koreans were “looking for a deal”\textsuperscript{150}. But so were many other entrepreneurs staying at Berau Plaza. The hotel was and is a well-known meeting point where various business transactions, particularly those involving forest products, take place. Therefore, the presence of Korean visitors, locally called “investors”, was not particularly suspicious.

Edy made payments of approximately Rp. 50 million (US $ 5000) to top police, army and forestry officers, presenting it as a contribution from his operations that would be concluded in two months. The amount offered was more than twice the monthly sum contributed to these officials by large sawmills in the district (e.g. those run by Haji Joni). After a quick calculation, they assumed

\textsuperscript{150} Interviews with forestry officials in Berau, December 1999–February 2000.
that the volume of the shipment would correspond to approximately 1300 m³.

Meanwhile, by the end of October 1999, Samson had his quota ready. Since the waterfront of his sawmill was to be used by a number of other logging teams to store timber, rafts of logs grew in size every day. While waiting for other loggers to accomplish their work, he kept his own logging groups occupied in anticipation of a shortfall that might occur. If by the delivery date some groups were short of their quota, there would be an opportunity for him to make more money. Conversely, if it turned out that the target was met, he would have extra stock for the sawmill.

At the beginning of November, with part of the timber still stockpiled in the forest but calculations nearing the target, Edy phoned Tarakan and Tawau asking for the ship to be dispatched as soon as possible. He felt increasingly uneasy about the stock of logs piling up in sawmills and rafts parked upriver. If the situation persisted for too long, his under-reporting of the contract’s volume could be exposed.

The ship, *NV Star Orient*, did not take long to arrive in Berau. It was a medium-size ship rarely seen in Berau, where most vessels are small, except for coal barges. The ship sailed under the Korean flag, with a Korean captain (Son Ki Hak), but the crew of sixteen was all Burmese (Myanmar). The ship anchored just above the port area and settled in for a wait. The port authorities were informed and given small “contributions” by Edy ahead of time.
The loading of logs on *NV Star Orient* was carried out round the clock. Rafts of logs were towed up to the ship and hauled on board. Since logs had average length of 4-4.5 m, they were easily concealed inside the hull of the ship, giving few external indications of the cargo’s size. Had the logs been of regular commercial length (7-8 meters) as is the case in legal operations, this would have been impossible. Within a week, the loading of the timber was nearly finished and the operation slowly neared completion. Throughout this period, port officials and a few policemen came briefly onboard to have a look around. No problems followed but, as Edy would soon discover, officials noticed changes in the waterline of the ship. Edy, sensing their queries, worked frantically to get the shipment underway. He phoned Tarakan announcing the departure date from Berau and asking for the transfer of the remaining payment. It was high time to complete the operation because the officials in Berau began suspecting that the size of the cargo was much more than what Edy had told them and paid for. Edy began to think that perhaps he had made a mistake by trying to under-report. However, it was too late for second-guessing. The shipment had to go quickly.

*NV Star Orient* left Berau heading north for Tarakan. For a while, it seemed that it would safely reach the international waters. However, this was not to be. While still in the waters off the cost of Berau, a district police patrol swooped down on the ship and put it under arrest. The ship and its cargo were subsequently escorted to Tarakan for examination. Samson and his fellow sawmill operators
and loggers had narrowly escaped a catastrophe as they received their payments and could go about their business as usual. However, Edy and Tomi in Tarakan had their hands full. The prevailing opinion in Berau was that had Edy been more generous with sharing the profits with authorities, he would not have been caught and would not have to face a controversy on which local newspapers reported daily. “He should not have been so sneaky”, Samson kept saying, “He should have made sure that key people got their share”.

The investigation and resulting resolution of the *NV Star Orient* case followed an established pattern. The logs impounded on the ship in Tarakan were declared illegal, as all of them lacked proper documentation. In short order, Berau authorities were to dispose of the timber through public auctioning. Tomi in Tarakan and Edy in Berau moved swiftly to use all available channels to diffuse the situation. The timber was soon “sold” to a number of individuals in Tarakan who (unknown to casual observers) were closely associated with Tomi, thus putting the shipment back on its original track. Soon after, on 28 June 2000 the attorney general of Indonesia issued a decision allowing the ship and the crew to leave the country even though the investigation into the matter was barely starting (*Kaltim Post* 2000e, h, i). The justification for this decision was based on concerns that damage that the ship might suffer as a result of a prolonged docking at substandard port, such as Tarakan, might expose Indonesia to unwanted compensation or insurance claims.
Finally, proceedings against Edy and his associates in Berau slowly ground to a halt as well, eventually dissipating completely (*Kaltim Post* 2000b, d, g). By claiming to be a small-time player caught in the middle, placing his activities within the rhetorical context of Reformasi and decentralization, and by making payments to a few strategically positioned officials in the District Court of Law in Berau, the case was eventually dismissed for lack of evidence. On several subsequent occasions, Edy playfully described the way to deal with crises like this: “You just hand in an envelope to the judge (*Jaksa*) and it is all done (*bers)*!”\(^{151}\).

### 5.7 Summary

The goal of this chapter has been to construct a detailed and tangible picture of a complex web of interactions that compose the operations of the illegal timber sector at the district level. By tracing the personal fortunes and entanglements of one particular timber trader, I tried to show “ground-level” realities and the functioning of the system of clientelist coalitions that previous chapters identified as the primary force behind the historical process of development of the informal timber sector in East Kalimantan and Berau.

The key to establishing an illegal timber enterprise in Berau is one’s connections to appropriate district police and army and forestry officers to ensure security of the planned venture as well as

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\(^{151}\) Interviews in January and February 2000.
access to already established local timber entrepreneurs of some stature who might be willing to provide start-up financing. Such cooperation is secured in exchange for an agreement on specific rules of the game. The would-be sawmill operator can construct his sawmill and hire kuda-kuda teams to supply it with logs, but he must be ready to provide payments to district security forces and forestry at every stage of the enterprise, i.e. logging, processing and shipping. The venture’s local creditors, on the other hand, decide how, at what prices and through whom the shipping of sawn timber or logs out of the district takes place – at least until the that when the sawmill manager pays off his debts.

As the chapter shows, these rules are generally followed, although some room for negotiation exists. This is particularly the case with government officials of lower rank (petugas) who frequent sawmills and more accessible logging camps on “collecting tours”. Such visits by petugas are primarily motivated by the need to earn extra income to augment their salaries. Collections for the police or military in association with public holidays are usually more difficult and require more vigorous negotiations, as the objective here are donations for the operational needs of these government institutions. At the export stage, a similar round of negotiated “fees” is paid by the sawmill seeking to dispatch a shipment out of the district, with most of them in value terms being absorbed by the forestry office. All along, the sawmill’s creditors, who also provide regular unofficial salaries to important security and forestry personnel in the district, act as superiors to whom a sawmill
entrepreneur can refer more intransigent “fee” collectors. The figure below illustrates these interactions.

Figure 5. Network interactions associated with illegal logging, sawmill processing and shipping of timber out of Berau in the late 1990s

The funds that government officials involved in such a system are substantial indeed. Small sawmills such as the one operated by Samson have a monthly budget for “unofficial fees” to the amount of 1-2 million Rupiah (US $ 100-200). Medium-size sawmills (use one bandsaw) set aside approximately Rp 4-5 million (US $ 400-500) each month. Finally, large sawmills (two or more bandsaws) budget about Rp 20-25 million (US $ 2000-2500) for monthly, unofficial payments. Considering the fact that in 2000 there was a total of 40 active sawmills in Berau out of which 21 were small, 6
medium and 13 large, the sawmill sector in Berau, paid between Rp 315.5 million and Rp 397 million (US $ 30-40,000) each month in “unofficial fees” associated with logging and processing: this amounts that come to the annual total of Rp 3.7-4.7 billion (US $ 370,000-470,000) (Obidzinski and Suramenggala 2000a, b; Obidzinski, Suramenggala and Levang 2001). The police and military officers are largely those who collect these fees.

For export purposes, sawmills operators make arrangements with district forestry officials for SAKO/SKSHH letters that drastically understate the volume of timber shipments (e.g. Suara Kaltim 2001b; Kompas 2002b). In exchange for issuing letters reporting only about 20 percent of the real volume being exported, an unofficial payment of US $ 20 is added to each reported cubic meter of timber. Since approximately 80,000 m$^3$ of sawn timber is produced in Berau each year, the forestry officials make a fee of US $ 20 per cubic meter on 16,000 m$^3$ of sawn timber, which comes to an annual total of US $ 320,000 (Obidzinski and Suramenggala 2000a, b).

Based on the information obtained not only from Samson, but also from several other sawmills and contacts among police officers that made the above calculations possible, it is clear that informal payments from sawmills and associated logging activities was a tremendously important source of money for the police, military and forestry cadres. In 1999 and 2000, it was equal to nearly half of officially collected forest revenues in the district. The sawmill sector was in a position to bear such costs without much trouble.
because nearly all sawn timber produced in Berau is exported. Thus, since the monthly production was approximately 6,600 m³ representing an export value of between US $ 533,000 (in Java) and US $733,000 (in Malaysia), the unofficial payments made by sawmills in the district constituted only between 7.6 and 12.4 percent of the product value. As production and raw material costs in Berau are very low, the sawmill business continues to be very profitable.

This chapter shows that hierarchically structured clientelist coalitions such as the one in Berau are a tightly knit system of inter-personal dependencies that function on a quid pro quo basis. The entrepreneurial freedom to pursue timber ventures is secured in exchange for financial contributions. Such contributions, critical for the officials' personal subsistence as well as for the operational needs of their institutions, are extracted at all stages of the illegal timber enterprise. Thus, economic expediency seems the dominant factor behind the illegal timber sector in the area. However, as the next chapter will show, in the post-1998 period of decentralization and regional autonomy in Indonesia (otonomi daerah, or otda), localized political contributions from the illegal timber sector in Berau as well as other parts of East Kalimantan have also gained great significance.