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

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CHAPTER 7

SUMMARY AND CONCLUSIONS

In this thesis I set out to explore the reasons behind illegal logging in Indonesia and explain why this phenomenon continues on such a large and growing scale. Among key problems that have obstructed a more comprehensive understanding of illegal logging is its widespread perception as a relatively recent development related to the growth of organized crime (oknum) in the context of the breakdown of law and order in Indonesia after 1998. At most, such oknum activities are traced back to the late 1980s as HPH related abuses.

However, my research has led me to a quite different understanding of the problem and causes behind it. Instead of being a domain of criminal underworld, I have found that illegalities associated with timber and other resources are part and parcel of everyday life for a large number of people in East Kalimantan both for personal subsistence as well as for the operational needs of government institutions in which they are employed. It also became clear that these widespread illegalities have much greater time depth than is commonly thought. Furthermore, these are not haphazard criminal acts but activities carefully structured around patron-client networks that have historically permeated local government and business environment not only in East Kalimantan, but in Indonesia as a whole.
The modern patron-client relations (signifying flexible, cost-benefit interactions) among economic and political elite in Indonesia have been key in explaining macro-level misuse and degradation of forests. Within such a framework known as the political explanation of deforestation, the intra-elite ploys have relied on forest as a commodity with which to generate political support, gain loyalty and exercise power. This has been the case in medium and lower administrative levels as well. However, the important difference has been that patron-client relations associated with illegal logging activities in East Kalimantan have also been highly significant in generating supplementary subsistence income for individual as well as institutional use. In fact, in many parts of East Kalimantan illegal logging has been an important element contributing to the very functioning of local and regional government institutions. Within such localized settings, patron-client relations at grass-root bureaucratic levels seem to lack the vertical distance and are more like reciprocal exchange arrangements or clientelist partnerships.

Thus, in this thesis I sought to widen the understanding of patron-client relations by showing that dependency interactions associated with illegal logging are not only significant politically, but are also crucial for economic functioning of the state in rural Indonesia. I did so by accounting for the specific roles that illegal logging has historically served, identifying the stakeholders involved and explaining how they have been benefiting from illegal logging activities. I expected that such an analysis would lead to a better understanding of the current state of rampant and seemingly
unstoppable nature of illegal logging in Indonesia and offer possible solutions.

In the colonial period of indirect rule, shrinking economic bases available to the native states with which to prop their legitimacy was the primary factor behind illegalities in the forestry sector. Prior to 1934, sultans distributed logging rights for a fee to court connected dignitaries, established *pribumi* traders, *peranakan* Chinese, and Japanese as well as European companies. These subcontracted the work to local Chinese and Malay traders of lesser stature who carried out the work through *opkoop* from native or hired loggers. Following the 1934 ban on *opkoop*, the practice continued with little change as concession license holders passed the work to the same chain of subordinate clients. However, the Japanese invasion in 1942 and subsequent occupation completely immobilized the timber sector as well as other sections of the economy.

Turning to the post 1945 period in East Kalimantan, we see that the region came out of the Japanese occupation between 1942 and 1945 in ruin. Subsequent economic crisis necessitated the decentralization of forest exploitation policy and re-legalization of *opkoop* practices. In the mid 1950s, the authority to exploit forests for timber in East Kalimantan was again vested with provincial and district *swapraja* authorities (largely comprised of former ruling classes) as an incentive to cooperate and generate political support for major political parties in the 1955 elections as well as loyalty to the central government.
Functionally, the illegal economic system based on timber in the 1950s was similar to that prior to 1934, with swapraja authorities occupying the top position as distributors of logging licenses to clients capable of turning them into profit. The significant difference was that Chinese tauke enterprises in the 1950s were dominating the implementing aspect of logging to much greater extent than before the war. As a result of progressive economic deterioration in East Kalimantan, illegal timber economy became crucial for individual livelihoods needs as well as daily functioning of government institutions.

In the late 1950s and early 1960s, swapraja ruling classes in East Kalimantan were deposed by the military which became the key beneficiary of the informal timber economy that grew ever more extensive. Impossible macro-economic conditions resulting from nationalist monopolies in Indonesian trade resulted in the situation where the black market became the rule of the day. Concurrent anti-Chinese policies led to restrictions on Chinese enterprise in hinterland and rural areas of East Kalimantan. This necessitated the incorporation of “bumiputra fronts” by tauke enterprises that wished to continue with business.

The post 1966 changes and the onset of New Order government of General Suharto did not bring many changes to the supplementary significance of illegal logging in East Kalimantan. Illegal economies of all kinds raged in the region as a result of economic collapse of the closing years of Sukarno’s Old Order and the new
regime’s need to establish political stability and loyalty. In such circumstances, illegal economic activities constituted the price the central government had to pay for securing cooperation of local military power-holders acting as patron figures for tauke enterprises that sprang back to life following the removal of anti-Chinese commercial legislature. The banjir kap timber boom in East Kalimantan was to a large extent an illegal economic sector of this kind. The local military figures reciprocated in kind by generating the vote turnout leading to a resounding victory of Suharto’s Golkar party in the 1971 elections.

As a result of subsequent solidification, the New Order regime moved in to secure a greater share of timber wealth in East Kalimantan. Consequently, illegal logging was marginalized by large HPH concessions but never entirely eliminated as it showed a great deal of resilience during the economic downturn of 1973-1974 and subsequent adaptability as a supplier for emerging sawmill and plywood industries in Samarinda. The provincial and district bureaucracies, where the military continued to be a significant player, carried on with patronage arrangements for tauke entrepreneurs who managed most of illegal logging and illegal timber trade activities in the area. Economic contributions thus generated helped ensure political mono-loyalty to Golkar until 1998. In many districts, significant level of loyalty to Golkar has been maintained by such means until today.

When looking further into East Kalimantan case, I focus on the district of Berau where I trace the historical development of its
illegal timber sector in greater detail. Here too the indirect rule policy adversely influenced the (shrinking) authority of sultans in Gunung Tabur and Sambaliung through gradual elimination of the pusaka system and associated with it cukai contributions. The sultans continued to derive profits from timber through the outlawed opkoop system by passing on SMP logging contracts to court dignitaries and confidantes, who sub-contracted Chinese tauke or Malay traders to do the work. The latter employed local natives (bevolkingskap) as well as occasional Javanese or Chinese coolies to carry out the logging.

The Japanese occupation of Berau was a very difficult period of economic hardship and social as well as political repression. Following the Japanese defeat in 1945, the area faced a multi-dimensional crisis caused by near complete destruction of SMP coalmines in Teluk Bayur that constituted the heart of Berau’s economy. SMP eventually resumed operations but never achieved production levels comparable to those from before the war and, as a result, its multiplier effect to other sectors was much reduced as well. Fewer mine-related employment opportunities and generally worsening economic conditions led to the redundant labor force being absorbed by, to large extent illegal, trading enterprises, of which copra, timber and dried fish were most significant ones.

The illegal timber sector in Berau continued to expand in subsequent years and it became increasingly significant for district commerce as a whole. In the run up to the 1955 elections, PNI overlooked its revenue potential and generally ignored Berau as the
area that in its view was politically of secondary or tertiary significance. Finishing third behind NU and Masjumi, PNI quickly regained the political initiative in the district by aiding swapraja functionaries in Berau to secure the transfer of SMP coalmines from retreating Dutch to the district holding company (perusda). However, the transfer of coal mines to perusda Berau and their subsequent sub-contracting to tauke entrepreneurs for management purposes did nothing to improve the overall situation in the district, as it was quickly sliding into the chaos of nationalistic economic policies of Indonesia under Sukarno. Abortive benteng ventures, restrictions on tauke businesses and resultant stratagems employing “front” bumiputra firms all led to virtual replacement of the official economy with illegal sectors that provided the only workable business environment. As swapraja loyalists in Berau were supplanted with associates of the leftist military commandant of East Kalimantan Suharjo in the early 1960s, illegal economies constituted a veritable necessity in the economic environment where literally nothing worked. As such, they were important for sustaining political loyalty to the central government as well.

The banjir kap boom unfolded in Berau in the situation of continuing economic chaos that rendered illegal economies expedient for individual as well as institutional survival. Despite fiscal decentralization, Berau was able to cover only a very small fraction of its budgetary needs and with not much more being provided by Jakarta, illegal economies were the only resort. Timber tax (cukai kayu), collected by district “point men” in the form of “donations” from logging operations, was by far the most
significant source of funding. And logging activities grew apace, coordinated by the district’s military-bureaucratic administration as patrons and Chinese tauke enterprises, emerging from the forced retreat of preceding years, as the implementing party.

Golkar recorded a major victory in Berau in 1971, in no small part due to banjir kap liberties in the district. As a result, despite official elimination of banjir kap later the same year in favor of HPH concessions, small-scale logging persisted for a considerable time to come, as HPHs were slow to establish operations in the area. Tauke entrepreneurs (pengusaha-pengusaha) who dominated logging boom prior to the introduction of HPHs were allowed an ample room for transition and adjustment, as they operated through much of the 1970s side-by-side with HPHs.

In the late 1970s and early 1980s, the former banjir kap network in Berau finally settled in the emerging sawmill sector, which quickly became the main source of unofficial income in the district due to the appropriation of timber tax as well as other non-timber forest products taxes by the central government in Jakarta. The 1984 log export ban provided a boost to the fledgling sawmill sector in Berau, as alignment with national development priorities and official perception of sawmills as providers of employment for unskilled labor (rakyat) shielded them from sanctions for illegalities.

Under the leadership of descendents of banjir kap entrepreneurs protected by security forces and local bureaucracies, the sawmill
sector in Berau grew dynamically throughout the 1980s and 1990s and continued to be the mainstay of illegal logging in the area.

Let us now penetrate the intricacies of the formation and functioning of the clientelist constellations of stakeholder associated with the illegal timber economy in Berau. This is best done by tracing personal fortunes and interactions of a sawmill entrepreneur by the name Samson from the mid 1990s to the present.

Samson’s enterprise shows how virtually every stage of sawmill operations is marked by the involvement of local security apparatus, government bureaucracies and leading members of local business community in the role of sponsors or patrons. Distribution of benefits to such patron figures in exchange for protection takes place from the moment sawmills are opened, extending through banjir kap-like procurement of raw material, processing of logs and smuggling the product outside the district.

The case also shows how larger scale smuggling operations work in virtually identical manner, steered by locally prominent entrepreneurs working together with tauke “strong men” in the region. Both sawmill operations and the smuggling of logs emerge as paramount in supplementing official incomes for individuals and local government institutions.

Illegal logging activities continued to be significant in recent times. As in the post 1998 period scores of kuda-kuda operators in East
Kalimantan made a transition to IPPK logging in community concessions, illegal timber sector intensified tremendously. This happened because, in the replay of conditions from the early 1950s and 1970s, illegal timber sector in the form of small concessions turned out to be extremely valuable in terms of generating the informal income. In this regard, small concessions have surpassed the previously dominant sawmill sector. Illegal logging through village concessions has been equally important for the purposes of political mobilization of the rural masses. Just as in 1955 and 1971, the 1999 elections in East Kalimantan have clearly shown how illegal logging was instrumental in generating the rural vote and influencing its direction.

Cumulatively, for the most of last century illegal logging in East Kalimantan has constituted a historical process that developed from the practical need of local government institutions and individual officials of using illegal timber as a "supplement" to fulfill livelihood needs and pursue political interests. Achieving economic and political objectives by evading taxation and maximizing returns through "informal fees" from logging and shipping of timber became a near-official government policy. Such practices became the corner stone of logging in East Kalimantan that has historically been conducted through clientelist networks involving regional elites, foreign capital, local entrepreneurs (tauke, haji) as well as regional and national government institutions.

Post-Reformasi policies have sought to change this system. However, they only succeeded in exposing how monopolistic the
timber sector had become and how the regional stakeholders are still able to continue to operate along the lines of the old system. The only differences are its external forms and representations.

If the illegal logging sector in East Kalimantan and Indonesia as a whole is to stop, one has to provide an alternative to the functions it plays within patron-client networks that span local and regional government institutions. Proper wage system for civil servants, police and military is necessary as well as a new way for the officials to earn legitimacy that is based on popular support rather than collusion. In the context of post 1998 decentralization and autonomy, economic and financial incentives could be provided to regional governments in order to reward those districts and provinces that retain the forest cover. The capacity building at medium and grass-root bureaucratic levels is critical for undermining the long-standing system of patronage and clientelism and foster the culture of performance based on merit, skill and professionalism. This in turn, would aid legal stability in the country and improve critically need law enforcement. All these measures would have to be undertaken side by side with a deep restructuring of the Indonesian forestry sector aimed at restoring the balance between the supply and demand.

Indeed, there is a long way to go to create such conditions.