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**Illegal Logging and the Fate of Indonesia's Forests in Times of
Regional Autonomy***

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1. Introduction

In the aftermath of decentralization and regional autonomy processes in post-1998 Indonesia, forests have become a *de facto* common property, or open access, resource in the country. Where previously the central government had held exclusive control over forest estate through state-based forestry management regime, the initial period following the implementation of decentralization and regional autonomy was marked by the emergence of claims to forest resources by a wide range of stakeholders. Such claims led to the fragmentation of forest policy in Indonesia, with districts and provinces promulgating local forestry rules and regulations with little regard for the central government authorities in Jakarta. The fragmentation of the forest policy in Indonesia resulted in widespread confusion about what rules did and did not apply in the forestry sector, ushering in legal uncertainty and the potential for conflict.

As the processes of decentralization and regional autonomy unfolded in Indonesia following the fall of Suharto's New Order regime in 1998, illegal logging in Indonesia appeared to have increased tremendously (Contreras-Hermosilla 2001; ITTO 2001; EIA/Telapak 2002; FWI/GFW 2002). Such apparent intensification and the spread of illegal logging activities prompted suggestions, particularly from Indonesian government officials but also from NGOs and international research organizations, that it was a relatively recent form of forest crime resulting from post-1998 breakdown of central government controls (EIA and Telapak 1999; EIA and Telapak 2000). In more recent times, such a critique is increasingly being used to stress the alleged correlation between illegal logging and deforestation to underline the districts' and provinces' irresponsibility and lack of capacity for self-rule. Within such context, decentralization in the forestry sector is being presented as a failure. Such views are the main driving force behind the calls for decentralization review (Jakarta Post 2003a; Jakarta Post 2003b; Jakarta Post 2003c; Pontianak Post 2003; Kaltim Post 2003), which leads to multi-layered political conflicts.

This paper questions these assumptions. Pronouncing that a new system of governance has failed assumes that the new system has been fully implemented, and that there is a clear causal relationship between current policy outcomes and the new system. However, most of the recent studies of decentralization indicate strongly that 'decentralization' is an evolutionary process (Agrawal and Ribot 1999; Ribot 1999; Larson 2004; McCarthy 2004). Rather than viewing it as a radical overhaul of the previous more centralized system and then comparing the costs and benefits of the two, decentralization is better

viewed as an ebb-tide process of decentralizing and centralizing trends within governance systems where different stakeholder interests collide, intertwine and evolve over time.

In the second section, it shows that spatial data on deforestation and forest degradation in Indonesia for the last several years do not provide a conclusive link between forest loss and decentralized forest governance. In the third part, it examines the historical foundations of illegal logging and determines that it is not a new phenomenon. Rather, illegal logging has long been a part of Indonesian forestry. Its recent prominence is merely due to its increased visibility as a result of the fragmentation of the forestry management regime. Fourth, the paper explains the persistence of illegal logging through time as due primarily to clearly distinguishable and important functions that illegal logging plays in local economies, politics and social relationships. In this context, the long-standing inequalities in access to forest resources in Indonesia are an important factor driving illegal logging as well.

Despite its long provenance and multiple functions, illegal logging in Indonesia is nevertheless destructive and ultimately unsustainable. However, the sixth and final section of this paper concludes that writing decentralization off as a cause and not a solution to illegal logging is premature. While no feasible short-term options exist to improve forest resources management in Indonesia, there is no reason to give up. Instead, mid/long term steps must be pursued that envision, among others, forest policy reforms (proper political, economic, financial incentives; tenure rights), restructuring of forest industries, green market linkages and improvement of human resources (leading to more accountable and transparent governance) as critical efforts to safeguard Indonesia's forest as one of its most precious commons.

2. Illegal logging, deforestation and forest degradation

The term illegal logging in Indonesia refers to a wide array of activities (e.g. over-cutting, cutting out of block, under-reporting of production, manipulation of documents) associated with the extraction of timber that contravene effective national government regulations. While initially there was a tendency in a popular parlance to associate illegal logging mainly with small-scale logging activities carried out manually, the concept eventually widened to include large-scale operations by logging concessionaries (HPH, *Hak Pengusahaan Hutan*), industrial forest plantations (HTI, *Hutan Tanaman Industri*), agricultural plantation estates, mining and infrastructure development (EIA and Telapak 1999; EIA and Telapak 2000).

Despite a growing consensus on what constitutes illegal logging in Indonesia, there has not yet been a similar agreement on its impact on Indonesia's economy and forests. Neither government agencies nor non-government organizations (NGOs) possess consistent and reliable data about the losses caused by illegal logging. Estimates vary widely from US\$ 1 billion to US\$ 5.7 billion and it is not clear whether there is any systematic basis to these figures (Bisnis Indonesia 2003; Kompas 2003; Media Indonesia 2003; Soetiono and Barr 2003). The same lack of reliable information pertains to the deforestation rates in Indonesia. Widely disparate figures, ranging from 1.6 to 3.8 million

ha, are being mentioned and it is impossible to ascertain the logic or procedures employed in the calculations (Analisa 2003; Asia Pulse 2003; Gatra 2003; Republika 2003; Pikiran Rakyat 2003).

Despite unclear data, illegal logging is blamed directly (and decentralization indirectly) for deforestation in Indonesia, which is assumed to be rising sharply. A recent study by Forest Watch Indonesia (FWI), for instance, mentions that Indonesia's deforestation is at its worse in Papua – 4 million ha per year – placing the blame squarely on illegal logging (Republika 2003).

Such claims, while well-intentioned, are not substantiated by the most recent spatial data on Indonesia's forest cover. Contrary to the prevailing assumptions, the deforestation rate in the country is not sky-rocketing from 1 to 4 million ha over the last few years. Rather, it appears to be hovering around 1.8 million ha per year (Tacconi and Kurniawan 2004). This estimate does not deviate significantly from the 1997 assessment by the Ministry of Forestry and the World Bank (1.7 million ha) and the EU assessment in 2000. It appears, therefore, that there is no direct link between decentralization/regional autonomy and accelerating rate of deforestation in Indonesia due to illegal logging. What illegal logging may be responsible for in the interim period, however, is the increasing proportion of disturbed and degraded forest in Indonesia's total forest cover – over 40% in 2002 (Tacconi and Kurniawan 2004).

3. Illegal logging in Indonesia – old phenomenon, new name

The currently prevalent view of illegal logging in Indonesia is that it is a relatively new form of organized crime that emerged as a result of the breakdown of government controls, economic crisis and political confusion in post 1998 Indonesia (EIA & Telapak 1999; EIA & Telapak 2000; EIA/Telapak 2002; FWI/GFW 2002; Greenpeace 2003). Based on such perception, effective law enforcement and rounding up of those involved are seen as key corrective steps.

However, it is clear that, instead of being an emergent domain of criminal underworld, illegalities associated with timber exploitation have long been part and parcel of everyday life for a large number of people in Indonesia – both for personal use as well as for the needs of government institutions in which they are employed. Contrary to the common belief, illegal logging operations are not haphazard criminal acts but activities carefully structured around, and functionally linked to, power networks based on patronage that have historically permeated Indonesian politics and economy.

3.1 Illegal logging in the colonial period

The theft of timber and other forest products in Indonesia had already constituted a serious problem in the Dutch colonial period. The Dutch government perceived Java's teak forests as a valuable natural asset to be controlled *directly* by the government and exploited only with its exclusive permission (Peluso and Vandergeest 2001). As a result, forestry legislature of that period prioritized central government control marginalizing livelihoods dependent on forests (Potter 1988; Peluso 1992a, 1992b, 1992c, 1992d;

Hüsken 1997). The objective was to reduce (by legislative means) the presence and activities of rural communities in the forest, to which they traditionally had access (Vandenbosch 1941:133). Any subsequent attempts by the communities to continue the customary ways of exploiting forest resources were criminalized by the colonial authorities as illegal.

The situation was somewhat different on the islands of outer Indonesia. The forests outside of Java, particularly in Kalimantan and Sumatra, were viewed as commercially much less important, primarily due to difficult access and high costs of exploitation. Consequently, indirect rule afforded local native leaders and rural population a comparatively greater degree of control over utilization of forests for timber and other products, which was an important source of independent income for sustaining prestige and authority (Furnivall 1944:325). As a whole, more than 50 percent of the area of the Outer Islands was under the administration of native sultanates (Vandenbosch 1941:133).

The emergence of illegal forest activities outside of Java occurred primarily as a result of inconsistent application of indirect rule policy in these regions. Until the early 1930s, the sultanates outside of Java were free to engage in logging ventures of any kind as forests constituted the exclusive economic and political domain of the sultans. Rural communities had essentially a free hand to extract whatever forest resources they needed for subsistence. The exploitation of forests for timber undertaken at that time was carried out through buying-up (*opkoop*) of timber from rural loggers (*bevolkingskap*). At the top of the trade network were timber firms and large-scale traders that secured a profit-sharing agreement with the sultans. Chinese and Malay middlemen implemented the logging contracts by hiring local community and migrant loggers to cut quantities of timber in the forest. The logging was carried using the labor system called *pajar*, in which native or migrant loggers were hired with advances in cash or kind to deliver volumes of timber at agreed upon time.

Once tropical hardwoods such as *Meranti* and *Keruing* became marketable in the Asia-Pacific region in the 1930s, the colonial government quickly imposed direct control over this new source of revenue. This led to the erosion of native states' traditional authority over forests (Vandenbosch 1941:147-157). In 1934, the Dutch government, curtailed sultans' authority over forest resources by requiring all prospective loggers to acquire official concessions (Lindblad 1988:139-140). The concessions did multiply, but most of them operated based on well-tested (and by then outlawed) buying-up (*opkoop*). The shrinking economic means available to the sultanates with which to prop their legitimacy was the primary factor behind illegalities of this kind. As a crucial source of additional income with which to bolster the authority of the native states, illegalities in timber sector over time became an ingrained element in economic and political life in outer Indonesia.

3.2 Illegal logging in the early years of Indonesia's independence

The stakeholder networks associated with illegal logging, involving local power-holders and their business confidantes in Kalimantan and elsewhere, have persisted through time with relatively little change. The only element that appears to have changed is the constellation of participants. Following Indonesia's independence in 1945, this coalition initially widened to include local government bureaucracies and the security apparatus. It was during this time that the dual role of illegal economies – including the one based on timber – as a tool for political mobilization and income supplementation developed significance far beyond what it was during the period of Dutch indirect rule.

The key factor responsible for this process was institutionalization in Indonesia of the pre-war model of governance in which the exercise of political power was accomplished by discretionary dispensation of economic benefits. While in the early years of Indonesian independence this quid pro quo system was applied by the central government to locally influential traditional elites for the purpose of nation-building, in the late 1950s and during the 1960s these elites gave way to the military and police.

In the early 1950s, the country's unity hinged not only upon sustaining revolutionary zeal but also on skillful cooptation of locally influential aristocratic leaders. Just as increasing the membership base was critical for Indonesian political parties to develop national reach, it was important to net locally influential figures and secure their support. As a result, in 1955 the largest political party in Indonesia PNI (*Partai Nasional Indonesia*, Indonesian National Party), “became increasingly aware that success in the elections would depend on their capacity to amass funds and to expend party membership in short order” (Rocamora 1970:146). Because of limited infrastructure and inability to penetrate down to the village level, “the party felt compelled to take a shortcut by enlisting the support of government officials [...] and other local notables who were believed to command votes on the basis of personal ties” (Rocamora 1970:147). This was the key factor behind PNI turning in the 1950s into “a patronage machine” (Rocamora 1970:180).

However, bringing influential individuals into the party ranks and capitalizing on votes that they could help facilitate required considerable amount of financing that PNI did not possess. As a result, PNI chose to resort to off-book financing and illegal economies for most of the financial resources needed. Among its most common strategies used to generate “campaign funds [was to exact] informal levies on businessmen to whom its [PNI] ministers awarded licenses, import facilities and government loans” (Rocamora 1970:146). In Kalimantan, generating funds from unofficial exploitation of forests and minerals was of particular importance to this end.

This was accomplished by continuing the Dutch policy that reserved the overall control over forest estate for central government and delegated, or decentralized, elements of authority to regional institutions. In 1958, for instance, province, district and sub-district governments were allowed to issue logging concessions of 10,000 ha, 5,000 ha and 1,000 ha respectively. However, as before the war, rural communities' involvement in such ventures was usually limited to providing labor. Although government authorities

acknowledged customary land and resource rights of rural communities, such rights were not legally recognized¹.

Thus, political cooperation and support of locally influential figures was routinely secured with discretionary dispensation of economic benefits. However, the main problem with such political practices was that, in contrast to the colonial period, they were conducted without sound macro-economic conditions in the country. In the end, the sheer extent of such practices resulted in the collapse of Indonesia's economy because it simply could not sustain countless drains and leaks caused by the informal sector (Paaw 1955a, b; Van der Kroef 1959; Pauker 1961; Glassburner 1962; Mackie 1962; Schmitt 1963; Thomas and Panglaykim 1967; Anderson 1983).

3.3 Illegal logging during Suharto's New Order

General Suharto, who took over after Sukarno's forced retreat in 1966, recognized that the greatest mistake his predecessor had made was trying to govern the country based on the political system of patronage without sound macro-economic fundamentals in the country. In contrast to Sukarno, Suharto "always took a long-term view, in which sustained growth was essential to the flow of rents and, consequently, to his hold on power" (McLeod 2000:22). Suharto knew that in order to be in control, "[t]he apparatus had to be provided with a stable hierarchy of emoluments, and at a sufficient level to command a unified subordination and loyalty" (Anderson 1983:488). Thus, the New Order government embarked on the path of perfecting the system of governance based on patronage financed with illegal revenues.

This illegal economies and black marketeering continued, as "[r]egional authorities were active in obtaining the necessary funds often by-passing Djakarta. For some outer islands smuggling of export goods to Singapore, Malaysia or the Philippines provide[d] the answer to financial problems, or to the question of how to be financially better off" (RIMA 1969a:58). The Indonesian government estimated that, in 1969, nearly 70 percent of all smuggling activity between Sumatra and Singapore was carried out in coordination with, or directly by, local military units (RIMA 1969b:37; Simkin 1970; Richter 1970).

With the military and civil bureaucracies engaged in illegal economies, Suharto moved to implement reform-mandated cutbacks in the military budget "to less than 40% of its basic operational needs" and simultaneously to authorize the expansion of the civil service (already numbering 2.5 million people) by nearly one-third (RIMA 1968a:30; RIMA 1969b:71). The security forces did not oppose the cuts backs, so long as they had the green light to generate the balance from their own commercial activities. The expansion of bureaucratic ranks, on the other hand, had as its objective to emphasize Suharto's concern for government civil servants with "jobs for the boys"². Suharto was able to

¹ The 1960 Agrarian Law devotes a lot of attention to customary, or *adat*, land and resource rights in Indonesia. However, the emphasis on the priority of national control is clear.

² A study carried out in 1969-1970 on rising corruption in the *daerah* gives a clear indication as to why it was necessary for government and military officials to be involved in extra-official income-generating activities. Theodore Smith (1971:29) shows that the majority of district and sub-district officials at that time

pursue these patronage-generating policies as a result of radically improving economic conditions in Indonesia as a result of the introduction in 1967 of liberal foreign and domestic investment laws.

Following the consolidation of Suharto's political position with the establishment of Golkar-based monoparty dominance after the elections of 1971, Suharto proceeded to structure the forestry sector (fueled by foreign investment boom in the early 1970s) into one of most important instruments of a more sustainable system of economic and political patronage. This was accomplished by 1) eliminating in 1971 small-scale *banjir kap* logging in favor of capital-intensive, large-scale HPH concessions and 2) structuring forestry regulations in such a way so the concessionaries could capture nearly all profits from timber (Koehler 1972:108; Broad 1995:325; Firman 1999:112).

The major beneficiaries of such rent “were top military leaders granted concessions and the Indonesian Chinese loggers brought in to provide the expertise and operational capability in partnerships with these officers”³ (Ascher 1998:52). In exchange for being undercharged “for the concessions and royalties, [...] those loggers in return have applied part of their profits to the development projects that the president has signaled as his priorities” (Ascher 1998:38). The people standing to lose most from such developments were rural communities residing near or in forest exploitation areas. While in the past the colonial regulations and Agrarian Law of 1960 gave only ceremonial recognition to customary *adat* land/resource rights, there were few direct interventions to stop the communities from forest resource extraction and utilization. However, following the proliferation of large and capital intensive HPH logging concessions in which the military had a major stake, stricter exclusion from utilizing forest resources (particularly timber) became the order of the day for village communities outside of Java.

Throughout the 1980s and much of 1990s, the power-holders in Jakarta benefited enormously not only from intensification of the HPH logging concession sector but also from vast expansion of timber processing industries such as plywood and pulp and paper (Barr 1998, 1999, 2001; Brown 2001). This framework worked well until 1998, when it suddenly became a cause for concern to foreign investors and financiers in Indonesia stung by the catastrophic economic collapse in Thailand a year earlier. Excessive concentration of power over economy by a handful of leading individuals from within the president's inner circle made foreign investors extremely wary, triggering capital flight and subsequent economic collapse in Indonesia.

3.4 Illegal logging in post 1998 Indonesia

The economic crisis that began in Indonesia in 1997 eventually forced president Suharto to step down in May 1998. His successor, president B.J. Habibie, had to show that his government was willing to reform the forestry sector until then dominated by enterprises with direct links either to Suharto himself or to his family (Barr 1998, 1999; *Bisnis*

needed wage increases in the order of 300 percent or more before they would consider giving up “extra-governmental activities”.

³ Brown (1999:1) defines rents as returns on the investment higher than 25 percent.

Indonesia 1999a; Brown 1999, 2001; *Jakarta Post* 1999). In an attempt to facilitate a less exclusivist management of forest resources, the Ministry of Forestry and Plantations issued instructions allowing communities residing in or near forest areas to be involved in extractive forest activities (including timber) through cooperatives, work groups, and associations⁴. These instructions were intended to mollify critics, especially from NGOs, who had long argued that rural communities be given a greater degree of participation in forest management in order to derive greater benefits from it – a privilege until then reserved for HPH elites in Jakarta (*Kompas* 1998; *Republika* 1998; *Bisnis Indonesia* 1999b).

Subsequently, Habibie's government passed new legislation on regional governance and on fiscal balance between the central government and the regional governments⁵. Both of these laws gave greater financial and decision making powers to local government, particularly at the district and lower level. Shortly after these new laws were released, the central government initiated the decentralization process in natural resource management as well by passing legislation that devolved elements of authority to manage forests from Jakarta to the provincial and district authorities⁶. This legislation gave Governors and Regents the authority to issue small forest concessions for logging. Governors were allowed to grant concessions of up to 10,000 hectares, while *Bupatis* could issue concessions up to 100 hectares. These concessions came to be known as HPHH (*Hak Pemungutan Hasil Hutan*, or license to collect forest resources) or IPPK (*Izin Pemungutan dan Pemanfaatan Kayu*, or license to extract and use timber).

Such political and regulatory changes led to a boom in small concession logging sector in all parts of Indonesia with substantial forest cover (Casson 2001; Khan 2001; McCarthy 2000, 2002; Obidzinski et al 2001; Casson and Obidzinski 2001; Visser 2001a, b). Within weeks after putting these policies into effect, district offices in East Kalimantan were flooded with applications for small logging concessions (*Kaltim Post* 2000n, o). By June 2000, there were already hundreds of them.

The dramatic growth of small logging concessions continued after the implementation of the regional autonomy policy in Indonesia in January 2001 as districts began drafting their own regulations (*Perda*) on community land/forest rights (*hutan adat*) as well as exploitation and use of timber. Throughout 2001 and 2002 small concessions continued to multiply. In the province of East Kalimantan, for instance, the district of West Kutai issued in excess of 800 small logging concessions; in Bulungan there were more than 600 concessions; in Kutai Kartanegara over 200; in Berau about 150 and in Malinau approximately 100 (Casson and Obidzinski 2002). Cumulatively, these concessions covered hundreds of thousands of hectares of forest.

There are several reasons for such a rush on small logging concessions in East Kalimantan. First, such concessions offered better business environment and superior profit margins in comparison to large HPH concessions. IPPKs and HPHHs required

⁴ PP No. 62/1998 and SK Menhutbun No.677/1998.

⁵ Law No. 22/1999 and Law No. 25/1999.

⁶ PP No. 6 1999, SK Menhutbun No. 310/Kpts-II/1999 and SK Menhutbun No. 317/KPTS II/1999.

small initial investment, faced much shorter bureaucratic network, had low tax obligations and could be obtained legally. Secondly, confusing and unpredictable forestry regulations prompted village communities to liquidate some of their traditional (*adat*) forest assets. While the new Forestry Act of 1999 appears to support traditional land/resource rights, the acute sense of tenure insecurity remained as the struggle for the control of forest resources between district, province and central government institutions intensified in post-Suharto Indonesia. In this context, quick profit from timber became the preferred option for most rural communities.

The small concession policy has been put into effect with the official objective to benefit village communities as well as small and medium forestry enterprises – parties that were marginalized by the New Order forestry policies. However, it was clear from the outset that neither had the necessary experience and financial means to undertake logging and trading activities of this kind. As a result, a clear pattern quickly emerged whereby the communities' role was limited to providing forest areas (*lahan*) for logging, whereas local (district) timber entrepreneurs took on the role of license holders and contractors for those who actually operated and financed the system from abroad – i.e. Malaysia (*Suara Kaltim* 2001e, h).

The village benefits came mainly in the form of company fees per cubic meter of extracted timber and labor opportunities. While in absolute terms such income was small, capturing only a fraction of the market value of timber, nevertheless it was more that communities had been able to obtain through any other means before (e.g. PMDH, IDT, or PKMT programs⁷). The ability to generate quick monetary return with little or no investment rendered small concession logging attractive to village communities, despite emerging problems with the distribution of this new “timber wealth” and associated potential for conflict. In time, the small concession scheme has highlighted the monetary value of timber to such an extent that village communities throughout East Kalimantan and elsewhere have put increasingly more emphasis on delineating village borders and mapping customary (*adat*) forest areas to stake their claims.

There is evidence, however, that despite popularity and strong growth, operational aspects of the IPPK/HPHH sector have been rife with illegalities. Such illegalities are present in the form of irregularities in procurement of logging licenses, widespread under-reporting of production, manipulation of annual work plans, tax evasion, bribery and smuggling of timber for domestic market as well as for export (Obidzinski 2003).

Despite such widespread irregularities, district authorities have generally been supportive of small concession logging. There are two primary reasons for this. First, IPPK/HPHH logging generates important financial resources with no strings attached for individual and institutional use in districts, far exceeding official budgets and payrolls. This is very important in the context of economic crisis in Indonesia and its lingering effects. Second,

⁷ PMDH means *Pembinaan Masyarakat Desa Hutan* (development of villages in forest areas) and it has been a rural development program required from all HPH concession holders. IDT stands for *Impres Desa Tertinggal* and signifies occasional cash dispensation by Jakarta to isolated villages. PKMT or *Pembinaan Kesejahteraan Masyarakat Terasing* (improvement of the welfare of isolated communities) has been a rural extension program implemented by the Department of Social Affairs.

in the replay of the situation from 1955 and 1971, village-based logging concessions of this kind have been useful for political reasons as they proved to be an effective tool for the purposes of political mobilization in rural Indonesia (see sections 4.3, 4.4 and 4.5 below for more detail discussion).

As such, economic importance and political utility of the small concession sector continue the functions of illegal logging from decades past. This is because illegal logging, in the form of IPPK/HPHH licenses or otherwise, constitutes a useful element in governance that, despite post 1998 changes, is still essentially based on exercising political power through dispensation of economic benefits.

Illegal logging is not a new phenomenon, but a long-standing practice – one among many illegal economic sectors in Indonesia. Illegal logging is not an outcome of organized crime but a part of the system of governance in which the exercise of power is predicated upon discretionary distribution of economic benefits, a large portion of which comes from illegal economic sectors. As such, it has performed a historically important function of sustaining politics and governance in rural Indonesia.

4. Illegal logging and its significance for livelihoods

It is not only the sense of injustice that often drives rural communities to exploit forests for timber as a statement of regained control, but also a simple fact illegal logging generates significant income and employment opportunities. While government institutions and individuals at various levels of the bureaucracy, political establishment and security forces are the main beneficiaries of illegal logging, rural communities, while deriving comparatively far smaller benefits, are still able to earn enough to remain interested.

4.1 Employment and income from manual illegal logging

The main form of manual illegal logging in Indonesia is the work system known as *pajar*, in which lumberjacks fell logs with cash advances from timber businessmen and settle the bill at the time when contracted volumes of timber are delivered. Through time, such labor system has been the target of criticism from colonial and subsequently Indonesian governments for its perceived exploitative nature.

Despite such criticisms, *pajar* labor system in logging continued and the manner in which it operates today is virtually the same as it was one hundred years ago. And while the issues of indentured labor practices and indebtedness still persist, the rural communities find some aspects of working as loggers attractive. In 2000, a study of non-mechanized illegal logging activities in East Kalimantan produced indications why illegal felling of timber is a popular employment option for a considerable number of people in rural areas (Table 2).

Table 2. Non-mechanized illegal logging in East Kalimantan (Districts of Berau, Malinau, Pasir), 2000.

	Berau	Malinau	Pasir	Total
Number of illegal logging camps	186	31	114	331
Workforce	1,116 (average 6 per camp)	248 (average 4 per camp)	684 (average 6 per camp)	2,048
Number of chainsaws per camp	372	62	228	662
Timber production per camp per day (m3)	3	2	3	8
Timber production per district per day (m3)	558	62	342	962
Annual timber production per district^a (m3)	153,450	17,050	94,050	264,550
Monthly net income per illegal logger (US \$)^{a, b, c}	126	95	166	387

Sources: Obidzinski and Suramenggala 2000a, b; Obidzinski et al 2001; Casson and Obidzinski 2002

Notes: ^a There are 24-25 effective work-days in a month and about 11 working months in a year; ^b Net income is calculated by subtracting operational costs/debt (Rp. 300,000 per person per month) from the gross income. The latter is a sum generated from the sale of timber felled during effective workdays; ^c Exchange rate is assumed to be Rp 10,000 to 1 US \$.

Although highly unpredictable, income from illegal logging is comparatively high and therefore appealing. Flexibility and on-going availability are other important features of illegal lumberjack profession. The local villagers are involved in this work mainly on seasonal basis – i.e. after planting rice and before harvest (October-December) as well as following harvest and before planting a new crop (March-May). The urban poor stay on the job for longer. However, work hardships, dangers of living in the forest and unpredictable weather conditions ensure that rarely anyone works longer than 2-3 months, rendering illegal felling of timber a cyclical rather a long-term employment option. Given such turn over rate of the labor, between 7,373 and 11,264 people in these three districts of East Kalimantan alone may be employed in non-mechanized illegal logging in any give year.

Similar observations have been made in other parts of Indonesia. WWF investigations in the province of Riau indicate that in 2001 and 2002 the production of timber by non-mechanized illegal logging teams was on the order of 600,000 m3 each year, while the number of people engaged directly in this kind of activity was about 3,000 (WWF Survey Data; Obidzinski and Barr 2003). As in East Kalimantan, extraction of timber by teams composed of 5-8 loggers is the most common form of illegal logging in Riau. Most of the labor in such logging activities is done manually, but in recent years modified agricultural machinery, pickup trucks and even motorcycles have been employed to intensify production and ease the hardships of extracting increasingly more distant stands of

commercially valuable timber. As a result of such innovations, in 2001 illegal logging generated nearly 40% of commercial roundwood in Riau.

About 73% of the labor force (2,137 people) is from rural parts of Riau province. The remainder (27% or 791) is from neighboring provinces. Similarly to the situation in East Kalimantan, the rotation of illegal logging labor in Riau is fast and financial incentives strong (see Table 3). As a result, the attractiveness of this kind of employment as a temporary or part-time option is firmly established.

Table 3. Income from a week long illegal logging trip in Riau

Activity	Riau logger/ US \$ per trip	Non-Riau logger/US \$ per trip
Hauling	23	23
Chainsaw	23	23
Truck	124	No trucking

Source: WWF survey data, 2001-2002

4.2 Employment and income opportunities from unlicensed wood-processing industries

In addition to logging, unlicensed wood-processing industries provide temporary, seasonal and part-time employment opportunities. In 2000, the districts of Berau, Malinau and Pasir in East Kalimantan had a total of 72 operating sawmills of this kind (Obidzinski et al 2001).

The total number of people working in these sawmills was 1,511 – approximately 50% of them local residents while the rest were migrants. This total may seem insignificant. However, as was the case with non-mechanized logging, it must be remembered that nearly all sawmill workers are employed temporarily and that the turn over rate of such labor is high – on average sawmill workers do not stay on the job longer than 2-3 months. This means that the annual turn over of sawmill labor in Berau, Malinau and Pasir could be between 5,440 and 8,310 people. With monthly wages ranging from US \$ 32 to US \$ 72, which is high compared to income rates in other sectors, these jobs constitute a significant pool of part-time employment available virtually at any time.

Similar situation was in effect in the province of Riau. WWF surveys in 2001 and 2002 identified approximately 250 unlicensed sawmills in the province. Each year, these mills are thought to have produced nearly 900,000 m³ of sawn timber (rendering the real production of sawn timber in Riau at least twice as high as reported) and employed about 2,600 people and (Obidzinski and Barr 2003). In contrast to East Kalimantan, in Riau only about 30% of sawmill employees are local residents. However, in addition to direct employment in sawmills, there are also important indirect work relationships. Families of sawmill workers frequently reside near or on sawmills grounds where they perform auxiliary tasks such as cooking, laundry etc. Itinerant traders of foodstuffs and chemicals

make brisk business as well. Finally, local suppliers of fuels, lubricants and spare parts find in unlicensed sawmills a major customer.

4.3 Small logging concessions and their implications for rural livelihoods

Post 1998 political changes in Indonesia had significant implications for non-mechanized illegal logging conducted through the *pajar* system. The small logging concessions IPPK/HPHH that emerged at that time and began multiplying at a staggering pace were officially intended as a means for rural communities to derive more benefits from timber extraction. The rapid growth of IPPKs/HPHHs occurred, to some extent, at the expense of non-mechanized logging, as rural communities became interested in the intensification of timber production that these small concession ventures made possible.

An interesting aspect of the process of transition from manual logging to mechanized concession ventures is the fact that rural communities have been able to capture relatively small percentage of the value of timber (Table 4).

Table 4. Profit distribution from IPPK logging and shipping operations in northern East Kalimantan in 2000-2001 (US \$ per m3)

Village fees	Indonesian brokers	Local government officials	Police, Army, Navy, Customs	Malaysian financiers
3-3.5	12	2.2 informal payment	5-10 informal payment	23

Source: Smith et al (2002); Tacconi et al (2003).

The above figures indicate that by joining IPPK concessions rural communities recover about 2/3 less money per cubic meter than would have been the case had they continued with manual logging (see Table 2). However, the factor that makes key difference in favor of IPPKs is the sheer volume of timber removed by mechanized means that translates into community fees numerically without precedent. This has been at the center of IPPK popularity among rural communities in East Kalimantan and elsewhere in Indonesia⁸.

In addition to timber fees, IPPKs also offer employment opportunities to village communities. In Riau, 307 IPPK licenses issued between 2000 and 2002 (covering close to 400,000 ha of forest) employed approximately 3,822 workers in 2000, 2,247 workers in 2001 and 2,935 workers in 2002 (Obidzinski and Barr 2003). The available data indicate that slightly less than half (43%) of the labor employed by IPPK companies in Riau were local village residents, whereas the remainder (57%) were migrants from North, West and South Sumatra. While comparatively less significant, IPPK employment

⁸ While timber fees generated by the villages participating in small concession logging have been substantial, not all community members benefited from these fees in an equal measure. As small concession boom intensified, timber fees have become one of the main sources of intra-community tensions and village conflicts.

has played a complementary role to timber fees generated by village communities from small-scale logging concessions.

4.4 Illegal logging and district economies

While the income derived by rural communities in Indonesia from small concession logging has been substantial and cumulatively superior to that from manual small-scale logging, the benefits due to regional (district) governments in the form of taxes have been almost non-existent. A study of financial and operational aspects of small concession logging carried out in 2001 in three districts of East Kalimantan (Bulungan, Malinau, Nunukan) shows a vast discrepancy between tax revenues that should have been collected from IPPK concessionaries and the amounts actually collected (Smith et al 2002; Smith et al in press; Tacconi et al in press) – see Table 5.

Table 5. Tax revenues from IPPK logging permits in Bulungan, Malinau and Nunukan Districts, East Kalimantan

District	Active local logging permits ('000ha)		Taxes payable (\$'000)		Realized tax revenue (\$'000)		Realized as % of payable	
	2000	2001 (Jan-Jun)	2000	2001	2000	2001	2000	2001
Bulungan	10	23	200	240	15	50.4	8	21
Malinau	32	16.5	640	330	329.4	292	51	88
Nunukan	3.7	5.1	No tax	102	No tax	3.6	No tax	4

Source: Smith et al in press

Clearly, district governments are generating very little income from small concessions. Yet, district officials have been ardently supporting small concession logging, frequently against the wished of the authorities in Jakarta. Their main argument has been that tax revenue from timber, although limited, is nevertheless important for independently generated district gross domestic product (PAD, *Pendapatan Asli Daerah*). It is doubtful that this is the case, as forestry's contribution to district and provincial PAD in Indonesia has been on the decline, being replaced primarily by the revenues from mining. In Riau, for instance, forestry's contribution to province's PAD dropped from 12% in 2000 to 8% in 2002 (Andrianto 2003). Even if forestry did generate significant revenues for PAD, the latter would still account for no more than 20-30% of the annual budgets in Indonesia's districts and provinces – the rest being comprised of general allocation fund and special allocation fund (DAU, DAK) dispensed by the authorities in Jakarta.

Why do district authorities insist on IPPK logging that is rife with illegalities? Following the long-established pattern, since logging of this kind is popular with the local people (read: district electorate), district authorities support it for political reasons. However, of at least equal importance is unofficial income generated from illegal logging and unlicensed processing of timber.

4.5 Illegal logging, unlicensed wood-processing and informal incomes

There are several types of informal payments that local government officials, government institutions and security forces generate from illegal logging (manual and mechanized) and from unlicensed wood processing industries. The available data indicate that such informal payments are far higher than the officially collected tax revenue from timber (Table 6).

Table 6. Informal payments generated from IPPK concessions

District	Estimated informal payments (US \$)		Tax revenue from IPPK timber (US \$)	
	2000	2001 (by August)	2000	2001 (by August)
Bulungan ^a	142,000	311,000	11,000	16,000
Malinau	451,000	684,000	73,000	43,000
Nunukan	52,000	124,000	No Tax	3,000

Source: Smith et al (2002). **Notes:** ^a Bulungan stands here for administrative district, not forestry district; ^b Tax receipts are based on 'Third Party Contribution' levy.

Table 6 specifies the informal payments once IPPK concessions begin production. However, even before these concessions become active, substantial sums change hands during the application process for the license. The District Forestry Office plays a crucial role in this process because it is district foresters who issue the technical report upon which IPPK licenses are either approved or denied by the district head (*Bupati*). (*Kaltim Post* 2000r).

It is clear that such technical advice recommendations and subsequent licenses are given on demand and in exchange for substantial unofficial payments (*Suara Kaltim* 2001c). According to timber businessmen and IPPK companies in Bulungan and Malinau districts, district forestry staff rarely, if at all, verifies any documents or data pertaining to the companies' operations. The IPPK applicants render this unnecessary with payoffs reaching US \$ 30,000 per concession area⁹. These costs are variable, however. In Bulungan, for instance, one IPPK contract of 2,850 ha carried an unofficial price tag of nearly US \$ 40,000¹⁰. A similar system of unofficial payments associated with IPPK

⁹ IPPK license is officially limited to 100 ha. However, IPPK companies usually arrange for a number of such concessions that cumulatively cover between 500 and 2000 ha. This total area is what the informal payments to the District Forestry Office are for. They are not per 100 ha.

¹⁰ Interviews in Tanjung Selor, East Kalimantan, 7 August 2001.

licensing has been reported in other areas of Kalimantan (*Bisnis Indonesia* 2001; *Suara Kaltim* 2001f, g).

In addition to IPPK-related informal fees, district government officials also generate significant off-book income from unlicensed wood-processing industry (sawmills). Depending on their production capacity, sawmills in the district of Berau, set aside between US \$ 100 to US \$ 2000 per month for informal payments. In 2000, the sawmill industry in Berau paid between US \$ 30,000 and US \$ 40,000 per month in “unofficial payments” associated with logging and processing of timber. This came to the annual total of approximately US \$ 330,000-440,000 – an amount that was largely collected by the police and army officers (Obidzinski and Suramenggala 2000a, b; Obidzinski et al 2001).

For export purposes, sawmills in Berau make arrangements with district forestry officials for timber transport permits that drastically under-state the volume of shipments (*Suara Kaltim* 2001b; *Kompas* 2002). In exchange for issuing permits that report only a fraction of the real volume being exported, an unofficial payment of US \$ 20 is added to each cubic meter of timber that is reported. In this way, the forestry service in the district receives approximately US \$ 300,000 in unofficial income per year (Obidzinski and Suramenggala 2000a, b).

Illegal logging and unlicensed wood processing play an important role for livelihood needs in rural Indonesia. Non-mechanized illegal logging operations and unlicensed sawmills generate important employment opportunities that are seasonal, flexible and available virtually at any time. The employment of this kind constitutes an important alternative income option for rural subsistence strategies.

The emergence of small concession logging IPPK/HPHH in Indonesia after 1998 occurred with strong participation by rural communities. In exchange for providing forest for logging operations, the communities generate income in the form of timber fees. Even though such earnings per cubic meter are far less than what non-mechanized logging has to offer, cumulatively fees from small concession logging are without precedent. In addition, small concessions also provide employment.

Similarly, district administration generates very little official income from logging and timber processing. However, informal incomes are substantial and far exceed the official budgets. As a result, a wide range of stakeholders at the district level generates substantial benefits from, and therefore are dependent on, illegal logging and unlicensed timber processing.

5. Illegal logging as an outcome of unjust forestry policy

While the political figures, government institutions, security apparatus and locally influential businessmen have historically been the main actors behind illegal logging operations, local communities provided the raw labor required for such activities. One of the key factors prompting them to do so is legal exclusion of rural communities from forest areas in Indonesia. This renders illegal any extractive activity in the forest undertaken by local communities. Indeed, according to existing forestry laws, their very

presence in the forest is often deemed illegal. Such once-sided regulatory framework generates resistance and creates a “nothing to loose” attitude that drive rural communities to exploit forests by whatever means available.

5.1 Access to forest and rural communities

Forests have always played an important in the lives of rural communities in Indonesia. They have provided a wide range of resources and products and performed important ecological and social functions. The forestry regulations, first in the colonial and subsequently in independent Indonesia, have had important implications for the access to forest resources by rural populations. In the sections below, rural communities’ legal basis for access to forests before 1967, between 1967 and 1999, and after 1999 is explored. The historical context is essential for understanding the current situation.

5.2 Access to forests before 1967

Prior to 1967, exploitation of forest resources, including timber, was allowed within the context of traditional (*adat*) regulations. Such traditional rules, even though officially not recognized by the state law, were followed to remain in effect. This is because, at that time, the national law did not penetrate more remote parts of Indonesia. Second, extractive forest activities were undertaken as part of the prevailing *adat* subsistence system of shifting cultivation. As such, it was a seasonal activity integrated into the crucial cycle of slash-and-burn subsistence.

5.3 Access and utilization between 1967 and 1999

In this period, utilization of forests by rural communities continued to be subsistence oriented. However, the main difference was that traditional *adat* laws relating to forests experienced a rapid process of marginalization. This was caused primarily by the emergence of large-scale, capital-intensive HPH logging concessions that quickly gained official (government sanctioned) control of virtually the entire forest estate in Indonesia.

The quick expansion of HPH concessions and government policy viewing forests as an important national natural resource asset had significant implications for the communities in forest areas. They contributed to:

- Existence of unclear boundaries between forest areas traditionally used by the communities for subsistence and HPH concessions, particularly outside of Java
- Placing (without consultation) rural communities either in concessions or protection areas
- Conflicts over land rights and border delineation
- Abolition traditional *adat* land/resource rights in forest areas
- Promulgation of government regulations aimed at criminalizing and penalizing unlicensed exploitation of forests – primarily through slash-and-burn cultivation and manual extraction of timber conducted by rural communities

5.4 Access and utilization after 1999

Following the fall of Suharto's regime in 1998, the communities' position vis-à-vis access to, and utilization of, forest resources underwent dramatic changes (see section 3.4). First, traditional *adat* land/resource claims became the order of the day. Second, such claims became the basis for *de facto* occupation and parceling out of HPH concessions – acts seen as a justifiable way of redressing the past mistreatment. While during this time *adat* land/resource rights gained substantially in their *de facto* (although not *de jure*) status, they also become a source of inter-communal conflicts over the boundaries of traditional forest areas (*hutan adat*).

The traditional utilization of forests is based on the understanding that forests are open-access areas for the people residing in, or near, the forest. Based on this logic, any individual who clears a plot of old growth forest automatically becomes the owner of this particular plot. In the same vein, the community that clears a piece of land for cultivation and subsequently resides there for a long time is seen as the traditional (*adat*) owner of that area. As a result, from the community perspective, there is no vacant forestland in Indonesia, as all of it has long belonged either to individuals, communities or both.

The long term residence and management of forests by rural communities has been extensively documented in many parts of Indonesia (Eghenter and Sellato 1999). It is a widely accepted fact that traditional communities (*masyarakat adat*) managed and utilized forests for thousands of years. While acknowledging traditional heritage, the Indonesian government continues to view rural communities in forested areas as little more than “squatters” on government property.

The communities perceive such views as gross injustice (Kusworo 2000:2). From their perspective, issuing logging concessions without considering the fate of the people living inside the areas earmarked for concessions is nothing short of illegal. As a result, the sense that the national law is unjust and biased against the rural communities is firmly established. The resultant urge to ignore government regulations and prioritize the community's, or one's own, interest is ubiquitous.

5.5 Government laws regulating community access to forest resources in Indonesia

After Indonesia's independence in 1945, the regulatory framework for natural (especially forest) resource management in Indonesia followed the model established in the Dutch colonial period – i.e. traditional (*adat*) resource rights were acknowledged and allowed to continue. However, the superiority of the national interests was indisputable. The Agrarian Law of 1960 attempted to clarify this relationship. Its main point regarding *adat* rights was that such rights were considered valid so long as they did not conflict with the national interests and did not contradict higher regulations.

The 1960 Agrarian Law was never implemented in its original form. In 1967, after General Suharto replaced Sukarno as the president of Indonesia, the government issued Regulation No. 5/1967 that set the basis for forest policy in the New Order era. The regulation recognized only two types of forest – i.e. national forest and private forest. The community forest (*hutan adat*) was pronounced to be part of the national forest.

Subsequently, in 1970, Government Regulation No. 21 took a further step towards dismantling traditional resource rights in Indonesia. The regulation, expanding the legal ground for HPH logging concessions, abolished *adat* rights in order to promote capital-intensive exploitation of forests for timber. Following the implementation of this law, rural communities in Indonesia, particularly outside of Java, found themselves to be residing on company properties and any extractive activity they undertook was from legal standpoint a crime.

While the Regulation No. 21 of 1970 expropriated rural communities of all rights in HPH logging concessions, it still left substantial forest areas in the mountains, water catchments regions etc deemed not suitable for logging to which rural communities maintained free access. This changed in 1981 with the implementation of Decision No. 680 by the Minister of Agriculture (SK. Menteri Pertanian No. 680/Kpts/UM/8/1981). Without taking into account the existence of a large number of communities in remote areas (much less consulting them), this regulation stipulated that forest outside HPH concessions be classified into: limited production forest, protected forest, nature sanctuaries, and conversion forest. Because these types of forests were automatically considered to be sub-elements of the national forest, traditional *adat* rights in those areas were eliminated as well.

In 1985, the government of Indonesia for the first time specified legal sanctions to be imposed against improper use of forests and forest resources. The Government Regulation No. 28 of 1985 lists legal procedures and application of penalties for such infractions as residing in forest areas without permit, felling timber without permit, extracting non-timber forest products without permit etc. Since this regulation criminalized virtually every aspect of subsistence activities in rural Indonesia, it became the object of particular criticism and target for mass non-compliance. The spatial limitations and the threat of legal sanctions against the activities by rural communities in protected forest areas in Indonesia increased with the implementation of the Law No. 5 of 1990 concerning the conservation of biodiversity and ecosystems. In the same year, president Suharto issued a decision No. 32 which identified 15 areas for strict protection and heightened legal sanctions against improper activities inside these areas.

Despite democratic proclamations by the first post New Order government of president B.J. Habibie, the Forestry Law of 1999 did not bring about any fundamental changes to the way in which forests in Indonesia are classified. While traditional *adat* rights were officially revived and *adat* communities were allowed to utilize forest and forest resources through such mechanisms as small logging concessions (see section 3.4), the basic principle that forest in Indonesia is either national forest or private forest, and that *adat* forest is a sub-part of the former, remained unchanged.

5.6 Space afforded rural communities in utilization of forest resources

Despite being completely excluded by legal means from access to forest resources, the undeniable fact remained that rural livelihoods in Indonesia continued to be dependent on forests. Recognizing this fact, in 1995 the Indonesian government introduced the concept of the community forest (*hutan kemasyarakatan*) into the regulatory framework. It was presented as a positive and progressive step on the part of the government, showing its trust in community abilities to manage forest sustainably and underlining government's commitment to improving rural livelihoods.

By 2001, the regulations governing community forests already changed four times¹¹. As a result of constant modifications, the policy caused widespread confusion and has been largely ineffective. The lack of clarity was compounded further by extensive bureaucratic red tape, as permits for community forests require the approval of the Minister of Forestry in Jakarta, even though nearly all other forestry activities are currently under district jurisdiction.

It is not surprising, therefore, that after being expropriated from their subsistence base and subsequently given an extremely narrow and legal unstable access through the community forests scheme, rural communities distrust the law, seek to recapture their resource bases (which invariably leads conflicts with forestry companies) and are inclined to profit from the resources under their control as soon possible due to uncertainty about the future (see section 3.4).

The main problem in Indonesian forestry today is that since the mid-1960s the national government unilaterally seized control of all forests in the country pronouncing them a state property and relegating traditional land/resource rights to the position of subservience and insignificance. Since 1967, village communities residing in or near forest areas in Indonesia have had their access rights to forests progressively reduced. While such reductions were implemented by the central government first in order to facilitate large-scale exploitation of forest for timber (ostensibly necessary for economic development of Indonesia), subsequent conservation objectives drove further expropriations. The government initiatives in the mid 1990s to provide rural communities with legal means to access and utilize forest resources through community forest schemes have been short-lived and half-hearted.

This situation resulted in the crystallization of deeply rooted community distrust of the government forest policy. It also led to the emergence of conflicts and open resistance to forestry laws.

6. Are decentralization and regional autonomy a failure and the cause for the destruction of Indonesia's forests? Conclusions and recommendations

¹¹ SK Menteri Kehutanan No. 622 Tahun 1995, SK Menhutbun No. 677 Tahun 1998, SK. Menteri Kehutanan No. 865 Tahun 1999 dan SK. Menteri Kehutanan No. 31 Tahun 2001.

This paper attempted to show that there is little evidence for direct causal link between deforestation, illegal logging and decentralization/regional autonomy processes in Indonesia. The available spatial data indicate that the annual rate of deforestation in Indonesia has remained relatively unchanged over the last two decades at approximately 1.8 million ha. The significant change that is affecting Indonesia's forests is the increasing percentage of the forest classified as degraded. Here, illegal logging may well be the culprit.

However, the increasing degradation of the forest caused by illegal logging in no way implicates decentralization or regional autonomy policies as culprits responsible for the destruction of Indonesia's forests. It is too early to write these political processes off because both are evolutionary in nature, not radical replacements of the previous governance systems. Furthermore, illegal logging far predates both decentralization and regional autonomy. The historical perspective on the illegal logging issue in Indonesia indicates that illegal logging has been an integral part of governance in the country at least since the colonial period. This paper shows that illegal logging is not an outcome of post 1998 political relaxation, but historically rooted practice that plays important economic and political functions in Indonesia. It generates economic wealth that is strategically distributed along patron-client networks for political gains.

In addition to political benefits, illegal logging has also developed extensive and multidimensional economic usefulness. While, rural communities income is limited to proceeds from labor and timber fees, other stakeholders – forestry officials reviewing logging and export applications, district authorities issuing logging licenses, police and army forces monitoring logging operations and the movement of timber – generate incomes far exceeding their official budgets. The continuing exclusion of rural communities from access to forest resources has been among the main reasons driving illegal logging in Indonesia as well.

Seen in this light, considering decentralization a threat to Indonesia's forests and calling for its reversal are without merit. Decentralization is not the cause for illegal logging. Illegal logging in Indonesia is a historically rooted political/governance problem, economic/subsistence problem as well as social/power issue. As such, it will most likely require a multi-pronged approach in search for solutions. Among the important starting points there appears to be the reorganization of the state based forestry management regime into a more accommodative forest policy system capable of resolving existing resource/land right conflicts and taking concrete steps to improve rural livelihoods.

Such a transformation would go a long way toward strengthening popular support for the legal system and confidence in forest policy in Indonesia. It would also help change the current status of forests as state property to be mined for economic and political gains, pushing the governance reform in Indonesia in the direction of greater transparency and accountability. Alongside political reforms of this kind, practical steps such as restructuring of forest industries, establishing green market linkages and improving human resources would have to be taken. While daunting, efforts to affect these reforms are necessary and are taking place. Since decentralization and regional autonomy made the initiation of some of these reforms in Indonesia possible, it is only logical to give both

of these processes more time to generate enabling conditions to safeguard Indonesia's forest as one of its most precious commons.

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