
Indonesia: Expansion of pulpwood plantations including Acacia

In 2004, the Minister of Forestry, through Decree No. 101/Menhut-II/2004, issued a policy on accelerating pulpwood development to supply the pulp and paper industry. The policy received broad acceptance in the province of Jambi by PT Wira Karya Sakti (PT WKS), a forestry company subsidiary of the giant Sinar Mas Group (SMG).

SMG is a leading conglomerate operating in USA, Australia, Singapore, China, Hong Kong and the Netherlands, covering a wide range of businesses: oil palm plantations, property, finance via Bank International Indonesia/BII, and pulp and paper industry. Asia Pulp & Paper (APP) is SMG's business group dealing with pulp and paper (see WRM Bulletin N° 101) . This giant group has two pulp factories in Indonesia --PT Lontar Papyrus in Jambi and PT Indah Kiat Pulp & Paper (IKPP) in Riau-- and has been granted two pulpwood concessions: PT Arara Abadi (Riau) and PT Wira Karya Sakti (Jambi).

As a matter of fact, the supply for APP comes not from these two concessions, but also from converted natural forests. APP collapsed throughout 2000, the New York Stock Exchange even suspended its stock sale in January 2001, and its debt rose to US\$13.4 billions. However, it could manage to 'maintain' its business kingdom.

Currently, it is expanding its operation (pulpwood development) by taking over more land . In Jambi and Riau alone, it managed to expand its concessions up to 490,000 hectares. In South Sumatra its new concession encompasses 380,000 hectares. It has also taken over PT Finnantara in West Kalimantan, formerly owned by Finnish company Stora -Enso. More than twelve financiers and Export Credit Agencies are involved in its development, among others Barclays (United Kingdom), Norddeutsche Landesbank (Germany), Dresdner Kleiwort (UK/Germany), ING (the Netherlands), Credit Suisse (Switzerland) and Hermes (Germany).

PT WKS in Jambi is developing Acacia mangium, the raw material for pulp, and is the major supplier for the pulp-paper company PT Lontar Papyrus Pulp and Paper (LPPI) which is currently greatly expanding its area of operations. To date, the area having been and to be turned into 'acacia land' by the company has fetched 500,000 hectares in the province, a dramatic increase since 2004. This Sinar Mas subsidiary's concession lies in 4 districts in Jambi, namely Tanjung Jabung Timur, Tanjung Jabung Barat, Muaro Jambi and Batanghari .

More than 100,000 hectares of forest land which were previously logging concessions will become part of the Sinar Mas Group's industrial timber plantation. Some time ago, PT WKS took over 38,000ha which used to be a logging concession. Apparently this was not enough: PT WKS has also taken over 65,000 ha of concessions which had belonged to PT Sadarnilla and PT Lokarahayu and were then controlled by the state-owned company PT Inhutani V. The company justifies its expansion by saying this is abandoned, neglected, 'critical land' where illegal logging is taking place. In fact, PT WKS already controls a 190,000ha industrial timber concession.

Meanwhile, a Jambi-based activist, Deni Kurnia, denounced the financial 'surprises' delivered by PT.

WKS and PT. LPPI, both to the state and all the parties/people involved. Not only the alleged financial gain offered by the companies is by no means comparable to the environmental consequences of the destructive and evil practices, but also the government grants lots of facilities each year for the two companies to achieve their 'production target'. Furthermore, the business expansion of the giant group has come into conflict over boundaries and tenure with the local peoples, indicated by the large number of "claims" and "re-claims".

The industrial plantation scheme came with promises of foreign currency generation for the State, but local reports tell about its outcome of legal digression, bureaucracy complexities, and sociocultural, economic and environmental degradation.

Article based on information from: "Cooking Acacia in Policy Spices. Policy and Social Analysis of PT Rimba Hutani Mas/Sinar Mas Group, Jambi", Helmi Rivani Noor, Community Alliance for Pulp Paper Advocacy (CAPPA), December 2005; " Position Statement for the withdrawal of the permit extending the area of PT WKS", December 2004, presented to the Indonesian Minister of Forestry, MS Kaban in Jakarta, by several organizations and individuals.