

# DYNAMICS OF ILLEGAL LOGGING FROM THE SOEHARTO REGIME TO REGIONAL AUTONOMY

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## Abstract

Deforestation which occurred in Indonesia is very serious. In the end of Soeharto government it registered annually about 2-2.5 million hectares. It rapidly increased until reaches 2.5-3 million hectares in the era of reformation (1998-2004). The most contribution upon deforestation is illegal logging practices in many districts. Big actors of illegal logging utilize local people as tools; made collusion and corruption with government bureaucrats in central as well local and the lack of law enforcement are becoming driving factors for illegal logging. In contrast, current government efforts to crush illegal logging and their networks still considered not yet maximal, and it effects upon government revenues from forestry sector considered still very low. This paper discusses definition, conceptual, scholars' comment on illegal logging practices, driving factors and its implication upon forestry industries and local people.

**Key words:** illegal logging, implication of deforestation, forestry industry and local people.

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Fenomena kerusakan hutan di Indonesia sangat serius. Di akhir masa pemerintahan Soeharto tercatat sekitar 2-2.5 juta hektar deforestasi setiap tahun. Intensitasnya bertambah pada masa reformasi (1998-2004) mencapai sekitar 2.5-3 juta hektar. Penyumbang kerusakan hutan terbesar adalah praktek pembalakan liar yang banyak terjadi berbagai daerah di Indonesia. Para cukong kayu dengan memperalat masyarakat lokal, membujuk untuk melakukan kolusi dan korupsi dengan aparat pemerintah dan lemahnya implementasi penegakkan hukum di lapangan adalah di antara faktor yang memicu bencana penebangan liar. Di sisi lain, usaha pemerintah untuk memberantas aksi para cukong pembalakan liar dan jaringannya masih dinilai belum maksimal, sehingga *revenue* (pendapatan) dari sektor kehutanan menjadi rendah. Tulisan ini menerangkan definisi, konseptual dan analisis ilmuan mengenai praktek pembalakan liar, gambaran praktek, faktor-faktor pemicu, dan implikasinya atas industri kehutanan serta masyarakat lokal.

**Kata Kunci:** pembalakan liar, implikasi kerusakan hutan, industri kehutanan dan masyarakat lokal.

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## INTRODUCTION

Illegal logging has pushed Indonesia's forest sector into a state of chronic ecological crisis. These logging activities increasingly flourished in 'forestry concession' areas (HPH) during the Suharto regime (1968-1998), but remained within tolerable levels as a part of 'politically organized corruption' (Mulholland, 2006). With the stepping down of Soeharto on the 21st May 1998 and consequent political fragmentation, disorganized corruption emerged in the forestry, among other sectors, and further exacerbated the intensity and scope of illegal logging in protected forests, but also conservation areas (Ross, 2001).

Since 1998, 'disorganized illegal logging' has been increasingly facilitated by the inherent weaknesses in Indonesia's law enforcement process. As an illustration, after the Kalimantan's forest had been widely exploited, most 'crooked timber merchants-brokers' (cukong) redirected their energies to exploiting Papua's forests. According several prominent 'Non-Government Organisation' (NGO) studies, namely Telapak and Environmental Investigation Agency (EIA), 'more 300,000 cubic meters of Merbau trees were smuggled illegally from Papua to China and India on a monthly basis' (*Kompas*, February 18, 2005). These illegal logging and smuggling practices in Papua involved a "multinational syndicate" comprising of actors from such countries as Indonesia, Singapore, Malaysia, China and, India, to name a few. As a result, ever since 1998 the Indonesian government loses more than US\$ 4 billion or Rp.36 trillions in tax revenue from forestry (*Kompas*, August 5, 2001).

The seriousness of illegal logging and smuggling in Indonesia's forestry sector has also not gone unnoticed by the international community. However, through a Letter of Intent (LOI), dated January 15<sup>th</sup> 1998, the IMF-sponsored liberalization of log exports in Indonesia, IMF, did not help reduce tropical forest degradation. This was because its implementation took place in the context of unstable socio-political conditions, dysfunctional law enforcement and an ongoing process of decentralization.

The paradox of this policy is that it produced several unintended consequences; one being the increase in exporting activities associated with illegal logging. It is useful in this context to demonstrate how large log smuggling is from Indonesia to neighboring countries.

Consequent log shortages, which could have been used as raw materials in domestic wood production, have lead to significant subsidization of the development of wood industries in other parts of the world such as China and Malaysia. According to the latest economic data available, wood imports from Indonesia to China have risen dramatically; from approximately 31,000 cubic meters in 1997 to 1, 14 million cubic meters in 2001. This growth has been largely based on illegal logging and smuggling practices in Indonesia (*Kompas*, February 18, 2005). By 2006, China's export competitiveness, specifically in terms of the price of plywood products, has

faired much better than that of Indonesia's. According to I Ketut Kaler Ginaputra, head of 'Indonesian Panel Wood Association' (*Apkindo*), the price differential between China and Indonesia favors China by US\$120 per cubic meter. Based on ITTO (*International Trade Timber Organization*), Indonesian log export to Malaysia registered to the account of 578,390 M3. But, Department of Forestry's registration found just 7,860 M3. It was ironic, because since 1990 Malaysia suffered a critical deficit million of cubic meters for wood industry. Based on Malaysia's registration, in 1999 log consumption reached 28 million M3, even forest production supplied 21 million M3. In 2000 log consumption deficit reached more 7 million M3. Besides Indonesia, Malaysia also imported log from Gabon, East New Guinea and Myanmar, total amount does not reached 20,000 M3 annually (Kompas, August 5, 2001).

This smuggling has caused a loss of billions of US dollar in foreign exchange earnings for the Indonesian government. Ironically, this condition of smuggling does not register in the Department of Forestry and Department of Trade and Industry Indonesia. Malaysia as neighbor country is very seriously involved as "wood laundering", because many wood traders from Indonesia and Malaysia cooperate in smuggling woods from Indonesia to Malaysia and other countries such as China, India, and Singapore.

This paper discusses the definition and scope of illegal logging and analyses illegal logging in different districts, national parks and conservation forest. Emphasis will also be given to causes of illegal logging and their wider implications for forestry industries and local people.

## **DEFINITIONAL OVERVIEW**

Illegal logging definition is still highly debated. The Law No. 41/1999 does not provide clear definitional parameters in relation to the concept of illegal logging. Basically, illegal logging can be defined as the harvesting of logs in contravention of formal laws and regulations. These laws and regulations are designed to prevent the over-exploitation of forest resources and to promote sustainable forest management (*ITTO*, 2001). In accordance with this definition, illegal logging may include logging activities in protected and conservation areas, the logging of protected species, such as Ramin (*Gonystylus Bancanus*) and Kayu Ulin (*Eusideroxylon Zwageri*), logging outside concession boundaries, which includes activities ranging from extraction of more than the allowable harvest, removal of oversized or undersized trees to harvesting in areas where extraction is prohibited such as catchments' areas, steep slopes and river banks (Callister, 1992). According to Forestry Law No. 41/1999, "every person is prohibited from using and occupying forest area illegally" (Section 50, Sub-Section 3a). And 'every person is prohibited from stealing from forest area, whether in protected forest and conservation areas' (Section 50, Sub-Section 3b).

The Sections enshrined in the Forestry Law No. 41/1999 focus on forest production and utilization. From a theoretical point of view, there are three conceptual approaches pertaining to illegal logging. First, wood cutting in state forest without permission/agreement from state authority is categorized as “criminal action”. Illegal logging, according to Forestry Law No. 41/1999, is categorized as ‘organized crime’ and this is also mentioned in Presidential Instruction number 5/2001 on April 17, 2001 regarding “Illegal Log crushing and Distribution on Legal of Forest Products”. Second, wood cutting which contravenes on Forestry Law. And, last but not least, wood cutting, conducted outside of forestry concession areas, and also other areas which are claimed as customary right forests.

### **ILLEGAL-LOGGING STAKEHOLDERS AND PRACTICES**

There is specific grouping of stakeholders that are typically found to operate in the classification of illegal logging actors. These actors include HPH holders, communities who live close to the forests and other stakeholders who have no permission concerning forest utilization and production, especially in terms of wood products.

Illegal logging activities involve actors directly and indirectly. Actors who directly carry out such practices include, for instance, wood cutters, capital holders and transportation services providers. Whereas, actors indirectly linked to these illegal activities include, in particular, state officials, who ‘turn a blind eye’ to illegal logging practices and do not effectively enforce the law in relation to those crooked actors involved illegal logging. Therefore illegal logging practices are inseparable from the role of stakeholders, even if these role(s) are linked to circumscribing illegal forestry activities. But, this phenomenon happened, because of financial advantages and collusion with government bureaucrats.

There are multiple causal factors behind the emergence and prevalence of illegal logging. First, in the early years of Soeharto’s New Order regime, as suggested by Mulholland and Thomas (1999), the reorganized nexus of relationships between political power, military and business lead to, among other things, the flow of patronage in the form of ‘forestry concessions’ (HPH) to favored businessmen. More specifically, since the late 1960s, large forest concessions were given to particular businessmen who, via rent-seeking activities (Hidayat, 2004), had successfully gained access to the political market and cultivated what Mulholland and Thomas (2002) refer to as a “competitive advantage”, that is, they had close ties with former President Soeharto or other power holders high up in the state apparatus. The awarding of concessions was made with little regard to local people’s forest and land rights. People whose traditional rights were mostly ignored carried out “unofficial” logging within forest concessions. This problem was definitely not one of prevalence as it came to be in the 1980s and 1990s, because local military and police officers were, in an ad-hoc fashion, willing to enforce some laws and regulations. This willingness was related to their

strong loyalty to the central government, which resulted, in part from the income they received from their connection with legal harvesting activities. Over time, regulatory and policy manipulations led to “overcapacity” of sawmills and plywood production facilities. Overcapacity led to over-harvesting, which further degraded the ability of forests to produce a sufficient supply of trees for logging.

Second, prior to official decentralization, there has been a rise in local control resulted from a decreasing in central authority, which situation created by the political and economic uncertainty. Since the year 2000 a special law was created to permit such local officials as districts heads and governors to grant small-scale forest concessions. Both these changes have not only led to legal harvesting on a massive scale, but also its ‘evil twin’ illegal logging (Casson and Krystof, 2002). In some parts of Kalimantan, local people are now resigned to the fact that their forests will be completely converted to non-forest use in a matter of years.

Third, the current situation is so-called unstable security condition. This phenomenon is indicated by the lack of law enforcement among legal apparatus. In contrast, the implementation of Local Autonomy Act No. 32/2004 emerges the conflict of interest regarding the ‘natural resources’ management among central and local government, particularly in forestry sector. The current weakening of central authority has left a power vacuum in provinces that have forest resources such as East Kalimantan, Central Kalimantan, West Kalimantan, Riau, North Sumatra, and West Papua. The disappearance of central elite may merely be replaced by corrupt networks at the provincial and local levels, which may dominantly occupy by local elites.

Walhi’s observation in 2001 provides supporting evidence that the causes of illegal logging located on in searching wood consumption to cover the lack of ‘overcapacity’ of wood industries. This condition, effectively affect to the reduction of natural forest quantitatively and qualitatively. In contrast, wood industries rapidly grow in constant, particularly by pulp and paper industries in 1990s. Therefore, the growth of wood industries resulted in a wide “gap” between supply and demand. The unbalance happened between demand and supply as the main causes of ‘illegal logging’.

Casson and Krystof’s opinions were supported Walhi’s observation and Dudley’s opinion on causes of ‘illegal logging’. They further said that ‘illegal’ logging is driven by macro economic considerations such as processing overcapacity, inefficiency, flawed pricing, rent seeking and general socio-political ills such as patronage and corruption alone (Casson and Krystof, 2002: 213).

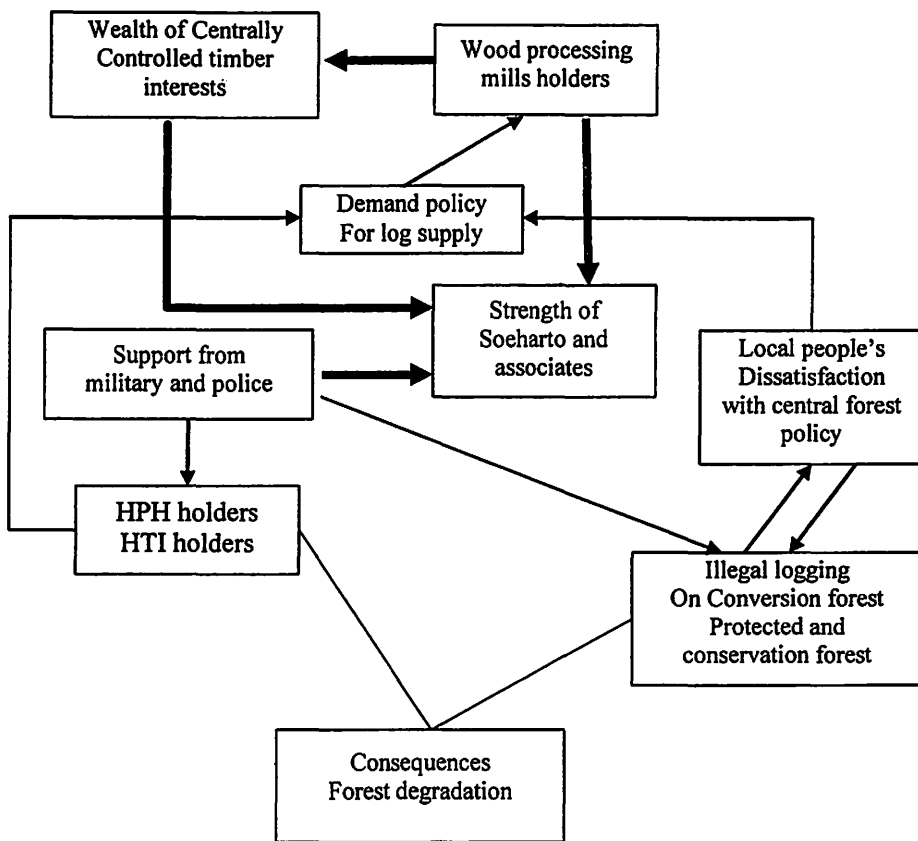
In this context, this investigation endorses Dudley’s “system dynamics” approach in relation to the analysis of illegal logging. It is believed that this framework could guide meaningful discussion of realistic policy options. The system dynamics can portray mental models of illegal logging, which various groups reported in the literature or in person. The system dynamics is an approach to modeling that emphasizes causal relationships between variables, as well as feedback from consequences of actions back to the causes of those actions. In this case, Dudley presented a progression of

four qualitative models to describe how the problem of 'illegal' logging evolved in Indonesia. These models are based on preliminary ideas as to how factors affecting illegal logging evolved to the point that created the situation we find today.

The first model represents a somewhat idealized view of well-managed timber industry working in cooperation with the government. Sustainability of the resources is an important issue. The second model represents the role industry had in subverting sustainability for the sake of additional and more immediate profits. The third model attempts to explore how, during the Soeharto administration, a timber industry largely controlled by Soeharto's family and friends and supported by the military managed to exaggerate this control by industry. The fourth model examines lingering effects of the Soeharto legacy that tend to exaggerate other factors leading to 'illegal' logging at the local level (Dudley, 2002: 361-369). In this matter, I would like to confine two models that represent the figure in Soeharto's New Order regime and post Soeharto era or familiarly called 'Reformation' era, which 'illegal' logging rapidly develop in this era.

The first model shows in terms of timber management in the Soeharto regime. It is showed in Figure 1, the relationship between Soeharto's power and timber interests is more clearly illustrated. A portion of Soeharto's power resulted from the strong support he received from the military, and a portion of that support was due to Soeharto's providing timber concessions to the military provided to the lobbying power of the timber industry. Besides, as the involvement of the Soeharto family and associates grew, their influence on forest policy became dominant, providing for policies that further enhanced their own wealth and thus further strengthened their role the industry. These relationships weakened the role of the balancing loops, particularly those policies related to sustainability of forest resources.

Importantly registered, as these factors further strengthened the role of the centrally controlled wood products industry, resentment began to build in the rural forested areas. The amount of dissatisfaction with central forest policy grew, but people were largely unable to do anything about it. To a certain extent, illegal logging was also a part of the centrally controlled system. Selective enforcement and insufficient monitoring allowed timber harvest outside formally agreed upon terms for forest concessions, leading to the degradation of the forest resource base. In a sense, this type of 'illegal' logging can also be viewed as a manipulation of policy by industry.



Source: this figure originally inspired from Dudley's paper, but it has modified (See, Dudley, Richard G, 'Dynamics of Illegal Logging in Indonesia', pp. 366.

Figure 1. the Power of Soeharto to strengthen control of timber interests

Note: **→** : support to Soeharto regime by power and financial access.  
 — : The access of instruction (power) and authority to supply  
 → : This line shows to the causes of 'illegal' logging activities.

In contrast, Soeharto gave concessions of HPH to military and police groups and also bank facilities, regulations and marketing to wood processing mill holders. Among big conglomerates own processing mill industries. They master of 'wealth' of centrally controlled timber interests. Although dissatisfaction within communities in forest areas grew, efforts at locally controlled 'illegal' logging during the Soeharto period were kept in check by the relatively powerful police and military.

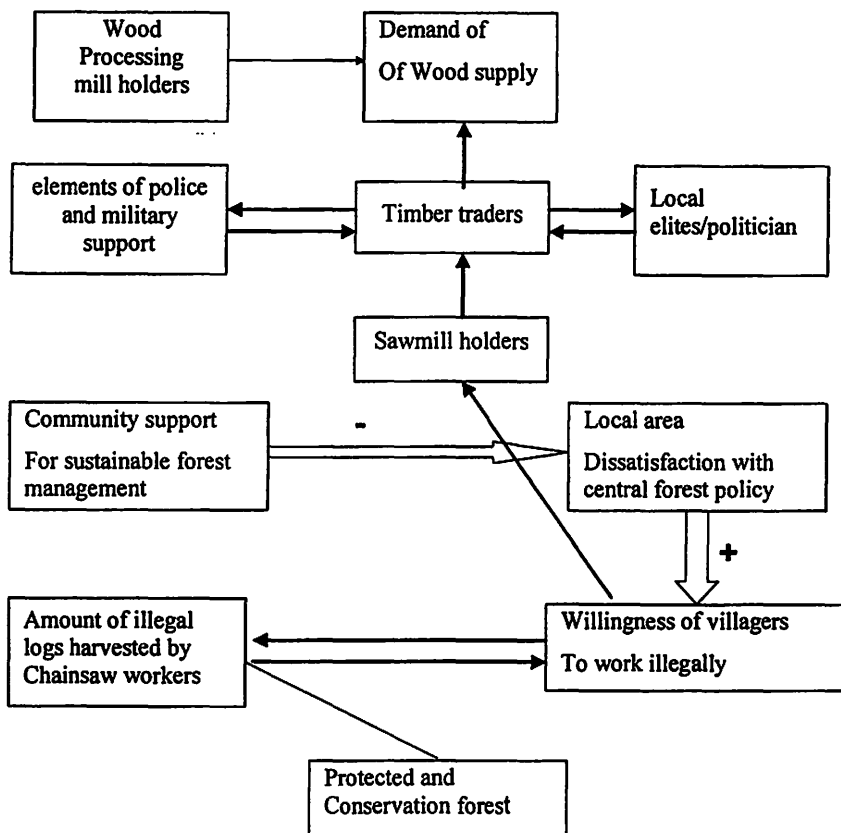
The second model in terms of 'timber management' is reviewed on 'illegal' logging at the local level after resignation of the Soeharto regime. With the fall of Soeharto, some of the components model disappears, some become less important, and yet others become more important. These changes are illustrated in figure 2. Apparently, these model components representing the strength of Soeharto and his associates and support of Soeharto by military and police have been removed.

As central government power diminished, there was an initial hope that 'decentralization' would permit some form of sustainable forest management with benefits remaining in the local area. This hope turned to concern as reports of rampant illegal logging started to come in from all parts of Indonesia. This section examines factors that caused illegal logging to flourish at the local level and allowed illegal logging to expand so rapidly. There are two driving factors of this condition: (1) economic factors of normal supply and demand related to the logging industry; (2) factors related to entrepreneurs and their influence on, and collusion with, local politicians and elite leaders.

At the community level, as illustrated in Figure 2, what matters most is the provision of jobs and income, particularly in economic crisis. The willingness to work illegally is strongly influenced by the fact that one's neighbors and friends are also working illegally. As more people work illegally in forests and sawmills, that source of income become acceptable.

Although the lobbying power of central timber interests decreased, the wealth of these interests and the resentment against them did not disappear. Consequently, dissatisfaction of significant local area remained and continued to grow. At the same time, the major constraints on 'illegal' logging-support of Soeharto by military and police-disappear. It seems likely that residual timber involvement by military and police may tend to support, rather than limit, illegal logging. In any case, the police and military retained only limited power and thus were largely unable to enforce the law. These factors all conspired to set the framework for large amount of illegal logging.





Source: See, Dudley, Richard, 'Dynamics of Illegal Logging in Indonesia', pp.367-369.

**Figure 2.** Removal of Central Controlling timber interests and take over by Villagers And Community Perspective

Note :

- The line of authority to request demand and supply (illegal wood).
- ⇄ Community support for sustainable forest management (-). It is minus.
- ⇄ Local area dissatisfaction with central forest policy (+). It is plus.
- ⇄ Mutual cooperation in order to get respective benefits.
- This line of access on forest exploitation.

## EMPIRICAL ANALYSIS OF ILLEGAL LOGGING

Illegal logging, which came to prominence during the period of the Soeharto regime, centered on politically allocated HPH forestry concessions centered in West Kalimantan's forestry sector. As emphasized in the previous section, a major type of illegal logging practice is the purchasing of "illegal" logs by HPH concession holders. This practice is usually performed by HPH holders who have either completely

exhausted the stock of trees in their forestry concession through overexploitation, or have a smaller forest concession compared with the amount of production they are allowed to perform. So, for example, 'on paper' concession documentation may indicate that the HPH holder will produce around 50,000 cubic meters, but in reality the potential production is only 35,000 cubic meters. Therefore, to fulfill production target 15,000 cubic meters, the HPH holder purchases 'felled wood' from the society and claims it as part of his HPH. This practice also highlights that HPH holders cooperate with local people in illegal logging activities.

The timber industry, initially consisting of plywood and sawmill operations, grew rapidly in the 1980s, and then was accompanied by the development of pulp and paper industries in 1990s (Hidayat, 2003). According to the Forestry Department's Planning Agency, by 1999 domestic wood consumption had reached 58.24 million M<sup>3</sup>, while the capacity of legal wood production reached an annual average 25.36 million M<sup>3</sup>. As a result, a gap of approximately 32.88 million M<sup>3</sup> occurred between production/supply and consumption/demand. Similarly, Walhi (NGO) reported that the wood industries annually consumed 100 million M<sup>3</sup>, within 51.1 million M<sup>3</sup> for domestic consumption, and 48.9 million M<sup>3</sup> for export. But, at the same time, official domestic woods supply production annually reached 21.4 M<sup>3</sup>. This formal production originally came from HPH concessions, IPK/Wood Utilization Permissions from land clearing, IPHH/IPPK. From this point of view, timber industries suffered from a problem of 'over capacity' of approximately 78.6 million M<sup>3</sup> or equivalent 70 percent annually. This means that seven out of ten units of wood were illegally harvested (Walhi, 2001).

It was not uncommon for "crooked timber merchants" (*cukong kayu*) to be covertly supported some elements from local communities. Raw materials from these activities not only contributed to downstream production throughout the region but also in Java. However, after the economic crisis hit Indonesia hard in mid-1997, illegal logging spread far more prolifically into protected and conservation forest-based areas.

Locals, hard-hit by the crisis and on subsistence wages from farming activities or even unemployed, also had a significant financial incentive to cooperate with *cukong kayu* as "lumberjacks". The involvement of locals in 'illegal' logging activities is not only based on the fact that they see it as a promising profession in the future, but they also obtain "instant cash" to fulfill their family needs.

Furthermore, the *modus operandi* of activities undertaken by exclusive groups of lumberjacks, *Cukong Kayu* and local officials, has had striking similarities wherever it has occurred in West Kalimantan. The lumberjacks and other illegal logging workers are also usually equipped by chainsaw, daily necessities and even locally made guns.

With political fragmentation after 1998, corruption and collusion has become increasingly disorganized and has exacerbated the illegal logging problem in the forestry sector. Howard Dick (2002, 18) aptly describes the changes Indonesia has recently experienced:

'Restored mass political parties, which allow for some participation in national politics, but formal legal institutions scarcely, apply. Money and connections are everything, and here the population at large is at a hopeless disadvantage'.

Consequently, in terms of forestry, the intensity and concentration of illegal logging and smuggling in West Kalimantan has worsened in such areas as in Ketapang, Kapuas Hulu, Bengkayang, Sambas and Sintang. The target areas are concentrated in protected and national park land. In Ketapang district, for example, Gunung Palung National Park (TNGP) is one of the target areas. Illegal logging activities have been carried out there for at least four years. At least 80 percent out of TNGP's 90,000 hectares was destroyed by 2,000 chainsaw-wielding lumberjacks. These actors erected temporary 'camps', a water channel - alias 'log pond', to transfer logs into a nearby watershed (*Daerah Aliran Sungai*, DAS). From the watershed, logs were then transported to a saw-mill processing plant which in turn transformed the logs into timber beams and boards. For a day it was estimated that 200-400 logs were processed from TNGP area (Kompas, August 5, 2001).

Tanjung Puting National Park (TPNP) in Pangkalanbun, Central Kalimantan was another target area for illegal logging. Almost 50 percent of TPNP's 410,000 hectares were destroyed. Since 1999, as a HPH holder in this area, Tanjung Lingga Group, has been deeply involved in illegal logging (Tunas, Vol. 1, No.8, February 2003). This business group's involvement was confirmed when, in 2002, three of its cargo ships, containing 25,000 cubic meters of logs, and heading to China were captured by a Marine patrol (AL/Angkatan Laut). From a subsequent investigation, not only Tanjung Lingga Group had been involved, but also a member of the Parliament with the initials AR. As a consequence, Indonesian NGOs criticized the central government and the Directorate General for Forest Protection and Natural Conservation because they failed dismally to safeguard TPNP's forest and biodiversity including such tree species as Ramin (*Gonystylus* spp) and Meranti (*Shorea Bracteleota*).

Widening the scope of analysis even further, over a seven year period, from 1980 and 1987, statistics showed that more than 7.6 million cubic meters of Ramin was logged in Indonesian's forest concessions, an amount exceeded only by Meranti. Since the early 1990s, as supply of such species has become scarcer, production has fallen precipitously to 489,000 cubic meters in 1997. Demand for Ramin and Meranti comes from such top export markets for Indonesian Ramin as Taiwan, Japan, Singapore, Hongkong, USA, Italy and United Kingdom. Italy's tradition as a centre for the furniture manufacture makes it Europe's largest importer of Ramin, while the USA market has grown recently partly due to the increased use of Ramin for futons and picture frames.

In Leuser National Park (LNP), Aceh Province, which consisted of 890,000 hectares of state-protected conservation forest, illegal logging has also taken place. This conservation area is rich with biodiversity, high profile mammals such as the Orangutan, Sumatran Tiger, Sumatran Rhinos, Bears, Elephants, and Leopards. Of the 10,000 plant species recorded in the West Indo-Malayan region, it is estimated that

45% are found in LNP's ecosystem. Since 1998, there have been 13 illegal loggers operating, with sawmills, in this region. Consequently, about 40% of this conservation area has increasingly become a target of ecological damage. With military and police support, illegal actors, including Medan Remaja Timber Company and other local Cukong Kayu, have been actively exploiting the emergent local government power vacuum. These criminal groups see anarchy as an opportunity for additional financial advantage and do not hesitate stirring up conflict in local communities on whatever issues are topical as long as it furthers their narrow interests especially in relation to 'illegal' logging.

In Jambi, South Sumatra, such national parks as Berbak, Bukit Tiga Puluh (TNBT) and Kerinci Seblat (TNKS), covering approximately 870,250 hectares of protected and conservation forest, have also suffered the devastating effects of illegal logging activities. For the period 1997-1998 in Berbak National Park, for example, 30,000 hectares of forest, well-known for its rich biodiversity and Meranti trees, was destroyed by illegal logging. Authorities managed to track down more than 20,000 of Berbak's logs in the Kumpeh Hilir sub-district (Kompas, April 21, 2005).

The rampant nature of illegal logging in Jambi has also been accompanied by the emergence of at least 200 illegal sawmill processing plants in many of Jambi's districts. Naturally such processing plants accommodated illegal logging production. According to Sujatno, head of the Provincial Forestry Agency, illegal sawmill processing plants require 6,000 M3 per year of raw materials from the upstream forestry industry. So this means, calculating for 200 units, there is an input requirement of approximately 1.2 million M3 per year. This figure is much bigger than the one calculated for Jambi's Annual Work Plan (Rencana Karya Tahunan, RKT) in forest cutting, which totaled 1.1 million M3. Based on these comparative calculations, Sujatno believes that illegal sawmills in Jambi should be shut down, because it extremely endangered the forest condition (Kompas, August 5, 2001).

The fight against illegal logging has certainly been an uphill battle in Jambi as in many other provinces, but it is at least slowly moving in the right direction. Jambi's Governor Zulkifli Nurdin, issued Decision No. 488/2000 on December 12, 2000 to attempt to more effectively regulate wood industries in Jambi and, at the same time, to eradicate illegal logging. Zulkifli and other local state officials also have been busily disseminating information about illegal logging activities and making swift and unexpected raids and/or investigations in different areas. In a CIFOR seminar in 2002, it was even revealed that the People's Wood Production Licenses (IPKR/Izin Pemungutan Kayu Rakyat) and the Forest Wood-Production Licenses (IUPHHK/Izin Usaha Pemungutan Hasil Hutan Kayu) of 500 hectares were often illegally expanded to 5,000 hectares per license. (Kompas, March 26, 2003).

District, provincial and central governments have all only started to officially acknowledge its existence through the publication of official statistics especially after 1998. In East Kalimantan, for instance, local economic and political interests have

provided the means for such recognition in the form of exceedingly vague and permissive legislative framework aiming to facilitate an easy inclusion of formal logging activities into the formal sector. Research carried out by Casson and Krystof reported that in some of East Kalimantan's districts like Berau, Malinau and Pasir, showed that by May 2000 there was a total of 72 sawmills in operation. Earlier government reports, back to 1995, had stated that there were only 30 active sawmill operating in the area (Bappeda & BPS East Kalimantan 2000).

In the year 2000, these 72 sawmills produced approximately 133,000 M3 of processed timber. Nonetheless, despite being officially recognized, all these sawmill could also be said to be "illegal" because they lacked required permits and relied on illegal timber inputs. In the majority of cases, these logging groups employed manual logging techniques. In the year 2000, a total of 133 'illegal' logging camps were found in the districts of Berau (186), Malinau (31) and Pasir (114).<sup>2</sup> Altogether these logging camps were thought to have produced approximately 271,000 M3 of processed timber in 2000, or close to a quarter of the official log production (1.3 million M3) reported for the same year (Table 1).

**Table 1. Estimated 'Legal' and 'Illegal' log production in East Kalimantan (M3/Year)**

	Legal production, Illegal log production, and total production					
	HPH (unit)	Official Production	Camp (Unit)	Illegal Prod	Camp (unit)	Total Production
Berau	8	798,000	186	160,000	194	958,000
Malinau	10	422,540	31	17,000	41	439,540
Pasir	3	74,578	114	94,000	117	168,578
Total	21	1,295,118	331	271,000	352	1,566,118

Cf. Casson and Krystof, Bappeda and BPS East Kalimantan(2000).

Abbreviation: Prod: Production

## ILLEGAL LOGGING ACTIVITIES IN CENTRAL KALIMANTAN

In March 2000, the provincial forestry department reported that there were only six legally-recognized mills producing plywood, 315 sawmills producing processed timber and 22 mills producing molding in Central Kalimantan. Altogether, these mills consumed a total of around 1.5 million M3 of timber from January 1999 to January 2000. Like the sawmills operating in East Kalimantan, most of these sawmills sourced their timber from 'illegal' logging operations. Moreover, the provincial government reported that there were, at the very least, 190 illegal sawmills operating in Central Kalimantan, excluding Barito Utara and Barito Selatan. Most of these sawmills could be found in Kotawaringin Timur, Kotawaringin Barat and Kapuas. These mills were thought to have consumed at least 155,750 M3 of timber from January 1999 to January

<sup>2</sup> See, Casson, Anne and Krystof Obidzinski, *Loc Cit*, pp. 2138-2139.

2000.<sup>3</sup> This is approximately 11% of the total timber volume consumed by official sawmills operating in Central Kalimantan between January 1999 and January 2000 (Table 2).

**Table 2.** Estimated 'Legal' and 'Illegal' Timber Production in Central Kalimantan, 2000 (M3/ per year)

Industry	Legal Prod.			Illegal Prod.		Total Prod.	
	Capacity	Unit	Prod.	Unit	Prod.	Unit	Prod.
Sawmill	1,660,706	315	757,569	190	155,750	505	913,319
Plywood	495,000	6	628,325	n.a	n.a	6	628,325
Moulding	276,070	22	92,851	n.a	n.a	22	92,851
Total	2,431,776	343	1,478,745	190	155,750	533	1,634,495

Source: Cf Casson and Krystof, pp. 2139. See, Provincial Forestry Agency (1999) in Central Kalimantan. Abbreviation: n.a: Not Available.

Table 1 and 2 are based on observation made by Casson and Krystof in the field. Illegal logging has increasingly become a legitimate set of practices, supported and encouraged by district and provincial governments. This development has occurred in Central Kalimantan because recently amended decentralization laws allow the Kotawaringin Timur district council to issue a specific regulation (Perda/Peraturan Daerah No. 14) concerning effective legalization of 'illegal' logging; thereby attempting to generate additional stream of tax revenue for local government.

## REFORMASI IN THE FORESTRY SECTOR

Indonesian timber industries seriously face the shortage of wood materials, deforestation and also financial problems. In practical, almost forestry industries have financial seriousness. As an illustration, that 23 percent of HPH holders in currently have 'debt' problem. Pulp and paper industries suffered even more critical, where 78 percent have 'debt'.

In March 2001, the Indonesian Bank Restructuring Agency or IBRA (BPPN) had confiscated forestry industries sector debts US \$ 2 billion (Rp. 21.9 trillions). These debts concentrated to some big groups, which previously contacted with the Soeharto regime. It is pointed out that two biggest group about 47 percent of total debts, namely Bob Hasan 32 percent and Djajanti Group 15 percent. It was ironic, that more than half of debts or almost Rp. 12 billion owned by wood industries and even they did not own HPH (Logging Forest Concession). In its development in 2002, the debts rapidly increased Rp. 30.28 billion, which consists of interest and penalty and the total of forestry industries reached 228 units include HPH, plywood and pulp and paper. The most critical debts 80 percent categorized as 'serious debts' with 'unsustainable loan' level (Ginting, 2001).

<sup>3</sup> *Ibid*, pp. 2139.

Marzuki Usman, as Ministry of Forestry in the end of 2001, told to newspapers, those wood industries that have inefficient management and debts problem recommended to be closed by the government, in order to drastically reduce the demand of wood supply (*Tempo*, 29 July 2001). In contrast, Department of Industry and Trade officer responded of Marzuki's request, that, it was heavy task to close wood industries. But, in terms of 'inefficient management and debts problem' is agreed, after carried out 'financial audit'. Because, the government has decided on foreign exchange earnings from forestry sector taken US \$ 8 billion (Rp. 90 trillions) per year until 2004.

It is agreed that one of 'consensus' between BPPN and forestry holder debtors was to enclose criteria and indicator on sustainable forest production management (PHPL/Pengelolaan Hutan Produksi Lestari). This result eventually evaluated by independent juries. Besides, in order to guarantee that the debtors were strictly prohibited using 'illegal' logging. This action could be carried out with log audit committees, where log originally trace back.

Frankly speaking, in fact, among CGI members are not consistent and unjust toward Indonesia. Do Export Credit Agency (ECA) Institutions that come from Europe, Japan and United States (US) actively participate to sponsor on establishing pulp and paper industries in Indonesia? Are they also as members of CGI? Based on study carried out by Environmental Defense and *Biforum*, an International NGOS, in British, that 3 from 10 ECA the biggest projects are pulp and paper sector. This include projects which actively operated in Indonesia, namely Indah Kiat Pulp & Paper and Riau Andalan Pulp in (Riau, Middle Sumatra), and Tanjung Enim Lestari in (South Sumatra). As an illustration, Indah Kiat Pulp & Paper (IKPP) needs on wood consumption 6.8 million M3 or equivalent one-fourth an official wood production Indonesia (25 million M3). Whereas, her industrial forest plantation (HTI) just could contribute 13.4 percent from Indah Kiat production. The critical question is where this industry obtained other wood consumption?

In fact, the greatest part of forestry industries in the Soeharto regime enjoyed 'benevolent' with cheap wood price, special facilities from banking loan, reforestation money and even with protection. It is unacceptable, that, their huge debts in many state banking must be paid by Indonesian people (public).

In terms of penalties decision review, those who break the law as "illegal" loggers, as elucidated in Section 50, Sub-Section 3, will be brought to court and, if convicted, jailed for 10 years and fined Rp. 5 billion (Section 78, Sub-Section 2). In this framework, illegal logging is defined as 'some occurs might through the chain from source to customer, from illegal extraction, illegal transportation or processing through illegal export and sale, where timber is often laundered before entering the legal market.'<sup>4</sup> According to Sembiring and Alexander, that "illegal" logging could be categorized, in

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<sup>4</sup> John Haba, 'Illegal Logging: Unfinished Business in Forestry Sector', paper to be presented at Laboratory of Forestry, the University of Tokyo, October 15, 2003.

the plural, as set of criminal actions including (1) crime against state security; (2) the crime which endangers public security; (3) and theft.

According to Sembiring and Alexander, the argument for “multiple criminal action” is threefold. First, actors illegally cut trees in spite of state laws and forest rights (Hutan Hak) opposing it. Second, illegal logging causes unstable state security, because of social unrest. Third, illegal logging does not promote forest preservation, but destruction of forested land, which has serious environmental repercussions, extinction of bio-diversity, and also adverse effects on the social life system of local society which are also coexisting with the forest environment.

In this context, the main actors must be punished under the “Criminal Act”. Director of Forest Watch Indonesia (FWI), Togu Manurung, even argues that without effective law enforcement in the fight against “Corruption, Collusion, and Nepotism” (KKN), the illegal logging and smuggling problem will never be decisively and sufficiently mitigated. Anything short of this will be symbolic and partial solution at best and never get to the primary set of causes underpinning this problem. That is why good governance in forest management needs to be a holistic approach; not only focused on the field of forestry itself, but also policy, judicial and bureaucratic levels. Once we begin to make significant strides this direction, as Tahrir Fathoni, head of Center Information, Department of Forestry implies, it will be easier to penalize and deter illegal logging activities.

The government, within four years since Reformation era (1998-2004) has seriously overcome illegal logging through some studies, committees’ formation, and projects worth million US dollar. Even, many symposiums, seminars, and pilot projects have been cooperated with foreign donor countries such as European Community, United States, and Japan. A large amount of money from foreign donor countries has been allocated to overcome illegal logging. Because they know, that tropical forest, which belong to Indonesia is the second largest after Brazil that must be maintained to become storage of ‘carbon sink’ which is very useful to prevent ‘carbon dioxide’ and to keep a normal global climate.

## **ITS IMPLICATION TOWARD LOCAL PEOPLE**

### **Livelihood of Local People in Muara Gusik Village**

A micro-economic analysis was carried out based on a case study in Muara Gusik village, Bongan sub-district, Kuta Regency.<sup>5</sup> The focus of the analysis was the economic activities of the village, namely primary subsistence. The land dispute between

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<sup>5</sup> Muara Gusik village in 1996, while field research was carried out for the first time in September 1996, administratively entered in Kutai Kertanegara district. Recently, since the decentralization was practiced in January 2001, Bongan sub-district, include Muara Gusik village entered in West Kutai district, which the capital Barongtongkok.



the local people and logging concession holder and the role of 'Program Bina Desa Hutan' (Forest Village Programs), conducted by the ITCI Logging Company to empower local villagers in Muara Gusik will also be discussed.

Why do the greatest numbers of indigenous people, living in the local village around the forest tend to face socio-economic marginalization? There are two reasons for this: first, the Soeharto administration did not recognize local peoples' 'customary forest rights' and so they have no access to the forest in order to utilize forest products, both timber and non-timber and second, local people and logging concession holders often have land disputes concerning these customary forest rights. These conditions affectively encourage local people for conducting 'illegal logging' in logging holding, especially 'land dispute' areas. Certainly, these land disputes impact upon the local peoples' economic marginalization, because they cannot utilize that land for their own economic activities. This phenomenon is illustrated by Al Gedicks when he says that "there are about 250 million native people worldwide, many of whom live within or on the margins of tropical forests in Southeast Asia, Central and South America, and Central Africa. They depend upon the forests for their food, medicines, clothes and building materials. However, the extensive and accelerating exploitation of the rainforests for timber, logging concession, minerals, oil, hydro electric energy, plantation of agriculture makes them 'the most seriously threatened' habitat of indigenous peoples."<sup>6</sup>

Muara Gusik village was selected for field research because: (1) it is located on the border with a logging concession area (ITCI Company), thereby affording an understanding of how far local people could utilize timber and non-timber products for income generation activities; (2) a land dispute between community members and the logging concession holder was occurring and also illegal logging happened in this area and (3) ITCI Company is considered one of the logging concession holders that appears to pay attention to the environment and local inhabitants.

### **Description of Research Area**

Gusik is the name of the river which flows in front of this village from Meratus Mountain, the highest mountain on the border between South and East Kalimantan. There are three access routes to the village: (1) about 5 hours by land in good weather, using public transportation of medium sized buses and Toyota Kijangs from Samarinda to Muara Gusik; (2) about 4 hours by private transportation from Balikpapan, Kenanga, where the ITCI Company branch office is located, along the logging company's roads or (3) about 6 hours by water transport on Mahakam river from Samarinda to Muara

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<sup>6</sup> Al Gedicks, *The new Resource Wars: Native and Environmental Struggle against Multinational Corporations*, London: Black Rose Books, 1994, pp. 27-29; For further information, see Burger, Julian (1987), *Report from Frontier: The State of the World's Indigenous People*, London: Zed Books.

Muntai, followed by another 3 hours from Muara Muntai to Bongan and Muara Gusik village by Ces boat (medium-sized boat).

Historically, the Gusik community came from the Gusik site, located 15 km away from the now center of the village, identified by many *Lamin* sites (long traditional houses). This community has been removed twice: first in 1910, during the Dutch colonial era, they were moved by the Dutch administration in order to facilitate the provision of educational and other activities; then in the 1960s, upon the request of the Indonesian Armed Forces, to protect them from the Ibnu Hajar separatist rebellion.

Demographically, the 898 members of this village consist of 480 men and 418 women, forming 197 households. The majority of the population is of Kutai ethnicity and they embrace Islam as their religion.<sup>7</sup> There is only one migrant Balinese Hindu family, teaching in the elementary school.

In terms of geography, the village land is registered to be 19,249 ha, consisting of: 14,440 hectares of customary rights forest, 650 ha of rice fields, 1,600 ha of plantations (rubber and rattan), 1,200 ha of swamp land and 1,359 ha residential areas and fruit gardens.

## **The Soeharto Period**

### **Primary Subsistence: Rice**

The majority of people in the Muara Gusik community have been farmers for many generations. Chambers once said, "Farmers have their own ways of trying out genetic material and practices. Methods of small-scale experimentation can be taught to them. Apparently, in order more fruitful their products by using agricultural technology and marketing" (Chambers: 1994: 72-73). However, in the case of Muara Gusik farmers, these kinds of technology and their productions are still very small. Their staple crop, grown every year, is rice. Additional income to rice comes from rattan, rubber and fruits, particularly durian. Other business comes from selling Kayu Gaharu (*Aquilaria malaccensis*), Damar (*Resin*) and Kayu Ulin (*Eusideroxylon Zwageri*) found within and around the forest. However, according to several respondents, quality of life as a farmer in Muara Gusik village rises and falls. At the beginning of the 1960s and until the 1980s, their quality of life was good: they owned their rice fields, with every household owning around 4 plots or 2 hectares and they produced 0.5 to 1 tons of rice from each plot of land (2 tons of rice can provide for a family for one year). So, according to the above respondents, the majority of farming products were for the basic necessity (food), ensuring three meals a day. The remainder could be sold for clothing, education and health needs. Also, their spending power was greater: the

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<sup>7</sup> The sub-district Bongan and villages, which categorized it, the most of people are Muslim. Because it refers to Kutai kingdom who mastered the greatest part area of East Kalimantan since 18-20 century. The capital of Kutai is Tenggarong (interview with head of village, March 23, 2002).

owners of the village shops each (there were 6 shops) gained Rp. 30,000-Rp. 40,000 a day in the 1980s from the sale of basic necessities such as rice, oil, food, biscuit egg, soap, soybean, tobacco, milk, etc. Consumption per capita each month in 1996 reached Rp 45,000: Rp 36,000 (76.10%) on food and Rp9,000 (23.90%) on non-food items. This means that the Muara Gusik community could be placed at that time within the Rp40,000-Rp59,999 category of monthly consumption (it categorized poor).

Unfortunately, not many households invested the money they obtained in the good years from the 1960s to the 1980s into their children's education, by sending them on to Senior High School (*Sekolah Menengah Atas/SMA*) or higher education. Only the children of the previous village head and owner of the rice mill (*Hiler*) attained higher education degrees. These 3-6 children now work in the city of Samarinda - a very small number compared to the average number of children of the community.

There are members of the community who realize that to provide further education for their children will bring with it a new optimism for the future (Laeyendecker, 1991:31). Others believe in advancing human capabilities and the community in order to reach perfection.

## LAND DISPUTE

After these considered 'golden years' came 'the fall', from the 1990s until 2001. This fall was, according to various respondents, caused by one major factor: the land dispute between the community and ITCI Company. The customary forest rights of the community for generations, was a 14,440 hectares wide piece of the forest, usually used for farming and tree gardens and then sectioned or annexed on the map as logging concession land. The result of this on-going dispute was that in 1993 the problem was handled by the Kutai Regency Regional Government, the Regional People's Representative Council and the East Kalimantan province I and local government.

According to Won Jeong, the roots of 'social conflict' are associated with the struggle for maintaining or challenging a dominant power status, frustration generated by relative deprivation, repression of basic needs and differences in cultural norms and values. He further commented that according to real politics, conflict can be effectively controlled and managed by the use of force or threat of punishment or retaliation. The maintenance of stable relations depends on law and order.<sup>8</sup>

This above statement is appropriate regarding the land dispute between ITCI Company and the Muara Gusik community. Initially, ITCI was the dominant power, maintaining its logging areas by the use of security apparatus. Any local inhabitants found entering these logging areas for taking 'illegal logging' were arrested by security staff. Although the local inhabitants reported the land dispute to the Regency of Kutai

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<sup>8</sup> See Won Jeong-Ho (ed.) (1999), *Conflicts Resolution: Dynamics, Process and Structure*, Brookfield USA, Ashgate Publishing Company, pp. 4-5.

Kertanegara and District and Provincial Regional People's Representative Councils, the conflict has still not been resolved, because the ITCI Company has the greater political bargaining power in the courts. According to several respondents, since 1993, the logging concession company has increased surveillance of their borders with local land and houses, using several full-time guards and the army. It has well-known, the majority share of ITCI Company belongs to Kartika Eka Paksi (51 percent) or the Army Foundation, 34 % belongs to Bimantara Citra, the son of Soeharto and 15% to Group Nusamba, Bob Hasan.<sup>9</sup> Due to this tight surveillance, several local people (Z, G, Y), while cutting timber and taking illegal logging in the forest, which according to the claims of the locals is still a part of their traditional land under dispute, were arrested and held in prison by the police for 27 days. The result of these arrests under the instruction of ITCI guards was that a conflict arose between the company and the community. The solution agreed upon in a joint consultation was that the ITCI Company would create 270 hectares of farming land for the community close to the Trans-Kalimantan road, as a substitute for the traditional land under dispute.

Only, the problem with this is that the 270 hectares of farming land have not yet been cleared. The local community considers the agreement with ITCI as unsatisfactory, because the allocation of land for farming rice and other crops has been slow and therefore the community has experienced a drastic fall in their basic income. According to a worker at ITCI, the status of the land is still being converted through BPN (The National Land Board) and the Level One Forestry Regional Agency, from forest production land to converted land and finally to private property.

There is a positive correlation between the conflict over the status of the 14,440 hectares of community forest rights land and the continuously falling level of community income. Also, community members have faced a fall in their amount of privately owned land compared to the 1960s to the 1980s, as each household went from owning 2 to less than 0.5 hectares. Because of these two factors, the buying power of the community has decreased and the average person is only able to eat twice a day. Interest in education and health is very low, because the cost of education past high school, in the sub-district and district centers, requires large amounts of funds. Therefore, only a few households can afford to send their children to school in the city. Also, efforts to maintain physical health in the community in the form of facilities for bathing, latrines and drinking water is still dependent on the brown river water.

In order to overcome this reduction in their quality of life, a number of households have signed up to become local transmigrants in a settlement about 10 km from Muara Gusik village. This settlement has a mixture of many ethnic groups, such as Javanese, Bugis, Kutai and people from Nusa Tenggara. They receive 2 hectares of land: 1.5 hectares of farming land and 0.5 hectares for a house and garden. They also receive

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<sup>9</sup> See Haba and Hidayat (eds.), *Alternative Model for Social Problem for Forest Squatters: A Case Study of ITCI Company and Muara Gusik Community*, LIPI, PMB, 1997, pp. 2.

food to the amount of Rp. 60,000 every month for one year (1996-1997). Meanwhile, of the households that have stayed, the majority still hope that the regional government can solve the conflict fairly, so that their quality of life will improve. Respondents stated, "This was not national development, which should in essence be aimed at equalizing community income" (Interview, March 21, 2002).

This is in line with the words of Anne Booth and Sundrum, who showed the unequal income distribution between households according to National Employment Survey data, both in the countryside and the cities. In reality, income distribution was more equal in the cities than in the countryside for the whole of Indonesia.

The field data and interview findings show a causative correlation between the falling income of the Muara Gusik village community and the various reasons mentioned above. The traditional land dispute and illegal logging with ITCI Company has impacted negatively on the productivity and equalization of income distribution. In other words, the Muara Gusik village community savings ratio, both in the form of savings in the Indonesian People's Bank (*Bank Rakyat Indonesia/BRI*) and capital in the form of land, is unproven.

Anne Booth and Sundrum also asked what factors influence the direction of income and expenses distribution in the Indonesian countryside. First is the production factor, where the most important input is land. Second is an employment opportunity for those without land, that is, opportunities for full employment. Third is the village production growth rate, where the most important factor is agricultural production and the direction of price changes for this production. In other words, income distribution in the countryside is expected to change over time, if a number of farmers receive a much higher price for production than others, or if farmers as a group experience a sharp increase in income compared to households without land. Studying the analysis of these three factors and their impact on income distribution and expenditure in the Indonesian countryside, the correlation between decreases in the Muara Gusik community income with the production process is understandable, as the protracted land dispute has reduced some main sources of production for farmers. The increasingly few employment opportunities because of decreasing forest resources, such as Kayu Gaharu, Kayu Ulin, and a fall in the price of rattan, has exacerbated this problem.

## CONCLUSION

Illegal logging extraction and processing of timber in Indonesia in general, and in Kalimantan in particular, continues to be a massive and deeply entrenched problem with socio-political and economic ramifications. It provides both direct and indirect income opportunities for local people and timber traders; and provides employment opportunities among local labors. So these political and business interests, which have a significant incentive in perpetuating illegal logging practices, do not see it as a problem and will fight to keep it from being challenged in the foreseeable future. In addition,

the emerging factor of illegal logging in the Soeharto government (1968-1998) was based on two main rationales. Firstly, the 'corruption' on forestry sector management. During the Soeharto regime, forestry management was very 'centralistic', and timber industry largely controlled by Soeharto's family, crony system, military support that were closely related with political power'. Secondly, there was an over "capacity" in the forestry industry. As an illustration in 1999, wood consumption for forestry industries were 60 million M<sup>3</sup>, meanwhile, the capacity of timber production from production forest only reached 25-30 million M<sup>3</sup>. In this case, there was timber gap between supply and demand.

On the other hand, in the Reformation era, "illegal" logging is widely practiced not just in the areas production forest, but it seriously expanded in protected, conservation forest and some national parks. Then, the practice of illegal logging annually destroyed two million hectares and causes annually loss revenue upon taxes on forestry sector which worth US\$ 4 billion since 1998. This was a large amount of money compared to the income from forestry industry which reached annually about US \$ 5.1 billion in 1990s.

Solution to be found to overcome 'illegal' logging in the near future must be seriously managed by the government and other stakeholders. Firstly, political will and political action of the government is urgently needed in entirety to overcome the practice of illegal logging, and it means networks crushing from upper level actors until grassroots. Secondly, law enforcement and no discrimination in front of law must be seriously conducted by government. Thirdly, the government must review the forestry industries holders who involved in the forestry sector. For those who do not own HPH (Logging Forest Concession) areas, inefficient, unqualified and involved as 'illegal' logging and smuggling must be punished by closing their industries after processing in the court. Fourth, programmes of community development through credit allocation, land distribution, training of management and marketing of their farm products among local people are also necessary. This program could encourage better solution of improvement socio-economic on local people in the near future.

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