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Conflict Timber: Dimensions of the Problem in Asia and Africa

Volume II Asian Cases

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ACRONYMS AND ABBREVIATIONS

General

ADB	Asia Development Bank
AusAID	Australian Agency for International Development
AFTA	Asian Free Trade Agreement
APG ML	Asia Pacific Group on Money Laundering
ASEAN	Association of Southeast Asian Nations
BBC	British Broadcasting Company
CIA	Central Intelligence Agency
CNN	Cable News Network
EAPAP	Environment Assessment Program for Asia and the Pacific
EIU	Economist Intelligence Unit
GDP	Gross Domestic Product
GIS	Geographic Information System
ha	hectares
HIID	Harvard Institute for International Development
IBC	International Business Company
ICG	International Crisis Group
IMF	International Monetary Fund
ITTO	International Tropical Timber Organization
km	kilometers
LGU	Local Government Unit
m ³	cubic meters
NGO	Nongovernmental Organization
NRM	Natural Resource Management
NTFP	Non-Timber Forest Product
OTI	Office of Transition Initiatives
PRC	People's Republic of China
SER	semi-evergreen dipterocarp
UK	United Kingdom
UNEP	United Nations Environment Program
US	United States
USAID	United States Agency for International Development
WWF	World Wildlife Fund

Indonesia Case Study

AMDAL	<i>Analisis Mengenai Dampak Lingkungan</i> (environmental impact assessment)
APHI	<i>Asosiasi Pengusaha Hutan Indonesia</i> (Indonesian Forest Concession Holders Association)
APP	Asia Pulp and Paper
APRIL	Asia Pacific Resources International Holdings Ltd. (a pulp and paper mill)
ARuPA	<i>Aliansi Relawan Untuk Penyelamatan Alam</i> (Alliance to Save Nature – a NGO)
BAPEDAL	<i>Badan Pengendalian Dampak Lingkungan</i> (Indonesian Environmental Impact Agency)
BIN	<i>Badan Intelijen Negara</i> (State Intelligence Agency)
BPR	Rural credit bank
BRIMOB	<i>Brigade Mobil</i> (Mobil police units active in rural areas)
CIFOR	Centre for Indonesian Forestry Research

DPR	<i>Dewan Perwakilan Rakyat</i> (Indonesian Parliament-lower house)
DPRD	<i>Dewan Perwakilan Rakyat Daerah</i> (legislative assembly)
EIA	Environmental Investigation Agency
GOI	Government of Indonesia
GOLKAR	<i>Golongan Karya</i> (Suharto's political party)
HPH	<i>Hak Pengusaha Hutan</i> (timber concession)
HPHTI/HTI	<i>Hak Pengusaha Hutan Tanaman Industri</i> (timber plantation estate)
IHPHH	<i>Izin Hak Pemungutan Hasil Hutan</i> (district-level forest license)
IPK	<i>Izin Pemanfaatan Kayu</i> (land clearing license)
KANWIL	<i>Kantor Wilayah</i> (deconcentrated offices of the central Ministry of Forestry)
Kodim	<i>Komando Distrik Militer</i> (North Jakarta district military command)
KPH	<i>Komite Penyelamat Hutan</i>
KPS	KOPERMAS (cooperatives between concessions and communities)
LKM	<i>Lembaga Keuangan Mikro</i> (micro credit agency)
MA	<i>Masyarakat Adat</i> (local communities with traditional laws and customs)
MOF	Ministry of Forestry
MPR	<i>Majelis Permusyawaratan Rakyat</i> (People's Consultative Assembly)
NU	<i>Nahdlatul Ulama</i> (one of the two largest Indonesian mass Islamic movement)
OPM	<i>Organisasi Papua Merdeka</i> (organization fighting for Papuan independence)
PDIP	<i>Partai Demokrasi Indonesia Perjuangan</i> (Indonesia President Megawati's political party)
PDKT	<i>Persekutuan Dayak Kalimantan Timur</i> (Association of East Kalimantan Dayaks)
PEMDA	<i>Pemerintah Daerah</i>
PHBM	<i>Pengelolaan Hutan Bersama Masyarakat</i> (profit-sharing program in Java)
PLP	Forestry Field Officer
PMDH	<i>Pembinaan Masyarakat Desa Hutan</i> ('Forest Village' Community Development Program)
PNG	Papua New Guinea
PP	<i>Perum Perhutani</i>
PT TPL	<i>PT Toba Pulp Lestari</i> (large pulp and paper mill company [PT] in North Sumatra)
RAPP	<i>Riau Andalan Pulp & Paper</i> – a part of the <i>Raja Garuda Mas</i> group that owns the APRIL pulp and paper mill
RePPPRoT	Regional Physical Planning Project for Transmigration
Rp.	Rupiah (Indonesian currency)
SATGAS	<i>Satuan Tugas</i> (A generic term for any paramilitary or militia group; throughout Indonesia)
SKSHH	<i>Surat Keterangan Sahnya Hasil Hutan</i> (log transportation permits)
SLTP	<i>Sekolah Lanjutan Tingkat Pertama</i> (Elementary school)
SMG	<i>Sinar Mas/Asia Pulp and Paper Group</i>
SRB	<i>Suara Rakyat Bersama</i> (Voice of the People – a newspaper)
TBO	<i>Tenaga Bantuan Operasional</i> (A force organized by the military forces in West Papua to assist its operations)
TGHK	<i>Tata Guna Hutan Kesepakatan</i> (Consensus-based Forest Land Use Plan)
TNI	<i>Tentera Nasional Indonesia</i> (the Indonesian army)
WALHI	<i>Wahana Lingkungan Hidup Indonesia</i> (an environmental NGO)

Burma Case Study

BCP	Burmese Communist Party
K	<i>Kyat</i> (Burmese currency)
MTE	Myanmar Timber Enterprise

Acronyms and Abbreviations

SPDC	State Peace and Development Council
TPB	Tourism Promotion Board
UWSA	United Wa State Army

Cambodia Case Study

CPP	Cambodian People's Party
CVA	Conflict Vulnerability Analysis
DFW	Department of Fish and Wildlife
FUNCINPEC	National United Front for An Independent, Neutral, Peaceful, and Cooperative Cambodia
GAT	Grand Atlantic Timber
KPNLF	Khmer People's National Liberation Front
RCAF	Royal Cambodian Armed Forces
RGC	Royal Government of Cambodia
SOC	State of Cambodia
UNTAC	United Nations Transitional Authority for Cambodia

Lao PDR Case Study

LPRP	Lao People's Revolutionary Party
Lao PDR	Lao People's Democratic Republic
MAF	Ministry of Agriculture Forest Forestry
STEA	Science, Technology and Environmental Agency

Nepal/India Case Study

CPN-M	Communist Party of Nepal - Maoist
GON	Government of Nepal
HMG	His Majesty's Government

Pakistan/Afghanistan Case Study

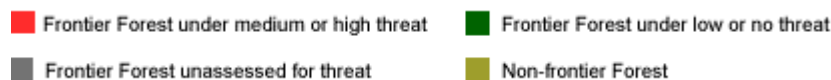
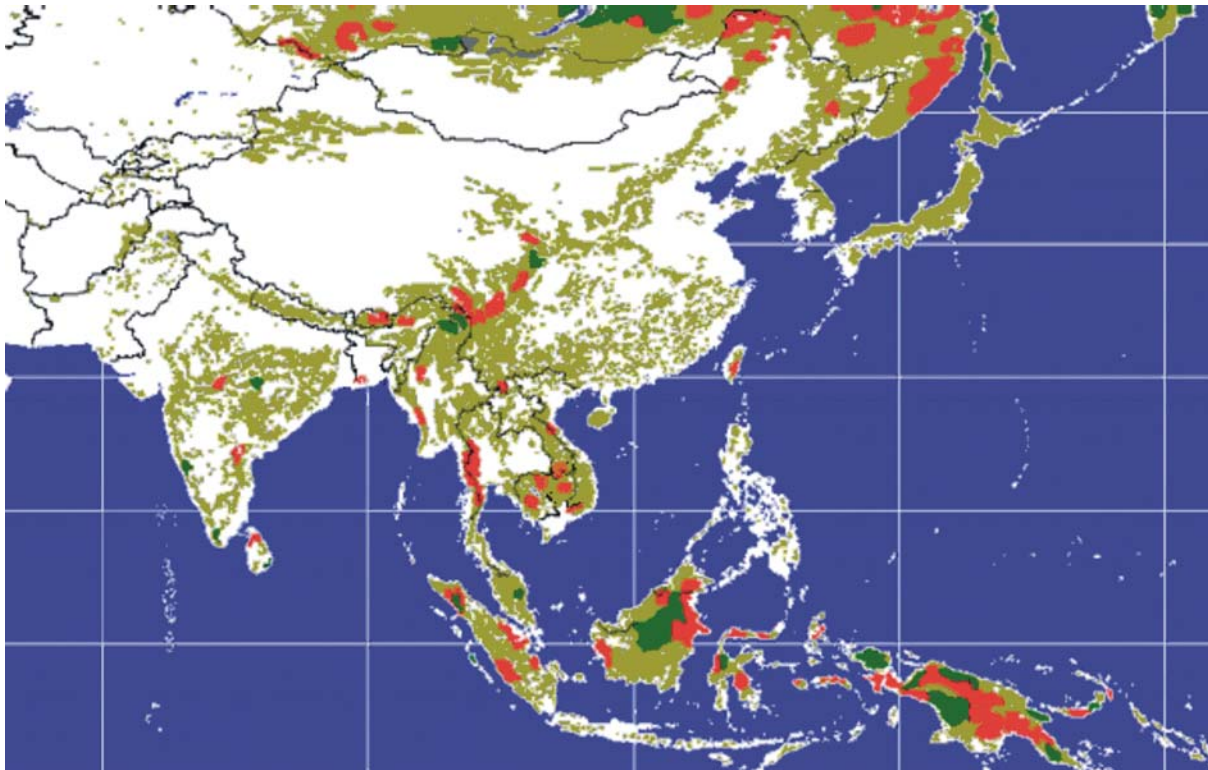
MMA	<i>Muttahida Majlis-i-Amal</i>
NAB	National Accountability Bureau
NWFP	Northwestern Frontier Province
PML-Q	Pakistan Muslim League – Quaid
SIG	Special Investigative Group

Philippines Case Study

ARMM	Autonomous Region of Muslim Mindanao
CBFM	Community-based Forest Management
DENR	Department of Environment and Natural Resources
GOP	Government of the Philippines
KAMP	<i>Kalipunan ng Katutubong Mamamayan ng Pilipinas</i> (National Federation of Indigenous Peoples of the Philippines)
MNLF	Moro National Liberation Front
NPA	New People's Army
TLA	Timber License Agreement

Vietnam Case Study

AFP	<i>Agence France-Presse</i> (French news agency)
FREC	Forest Resources and Environment Center
FULRO	<i>Front Unifie de Lutte des Races Opprimees</i> (United Front for the Liberation of Oppressed Peoples)
MARD	Ministry of Agriculture and Rural Development
MOSTE	Ministry of Science, Technology, and Environment
PM	Prime Minister
SFE	State Forest Enterprise
SFM	Sustainable Forest Management
TED	Trade and Environment Database (American University)



Source: World Resources Institute: Forest Frontiers Initiative

OVERVIEW OF CONFLICT TIMBER IN ASIA

The Indonesian country case study and nine desk studies included in this volume document the ways conflict timber currently poses critical problems in several Asian countries, notably Indonesia, Burma, Nepal, Vietnam and, to a lesser extent, Afghanistan. Conflicts financed by timber or conflicts over control of forests and forest resources have often erupted in violence. Indonesia counts the most active conflict timber incidents in today's Asia—there, conflict timber deaths, injuries and destruction of property are nearly daily events.

Conflict timber incidents in the recent past in Cambodia first brought the concept to international attention, as remnant groups of the Khmer Rouge felled and sold large stands of tropical forest to acquire arms to continue their struggle with the government. In Burma, both government and rebels have authorized logging to finance their ongoing armed conflict with each other. The government contracted with the People's Republic of China (PRC) to fell timber in northern Burma and, in the process, open logging roads into the forest refuges of rebel hill tribes so that government soldiers could more easily attack their opponents. Cambodia and Burma are the outstanding cases to date in Asia of *Type I conflict timber incidents (conflicts financed by trees)*. The Philippines constitutes an older Type I case. During the American colonial era and under the Marcos regime, logging companies cleared most of the country's forests. This led to severe environmental damage and also destroyed the livelihoods and social structures of indigenous forest people. The New People's Army and, more recently, Muslim opposition groups, have had some success recruiting among people impoverished by deforestation.

The more pervasive conflict timber problem in Asia, however, takes the form of *Type II conflict timber incidents (conflicts among competing stakeholders for control of trees)*. In the contemporary era, Indonesia presents the most flagrant case in Asia of Type II incidents. Logging has sharply reduced forests in almost all the large islands of the archipelago. Until recently, Indonesia was, with the Democratic Republic of Congo (see Volume III) and Brazil, one of the three major remaining areas of tropical timber worldwide. Clear-cutting of numerous Indonesian forests has severely damaged local environments in many places, and conflicts have erupted at various sites throughout the major Indonesian islands. Soil erosion and reduced, more uncertain water flows take a toll on local irrigated rice production systems.

The range of cases makes clear that conflict timber incidents in Asia occur under a large variety of circumstances. Critical factors in understanding the dynamics of, and differences among these cases include the *nature of the commodity*, the *nature of markets for the commodity* and *characteristics of governance systems in the country where timber grows and is harvested*. These three factors define, for each country studied, the “industry structure” for conflict timber.

Commodity Characteristics of Asian Woods

What makes tropical timber attractive as a conflict commodity is its high value, the range of uses to which it can be put, and therefore the reliable market demand that both peaceful and militant entrepreneurs who cut timber can expect to encounter. If government is weak, and it has only limited capacity to regulate both felling of timber and disposition of assets acquired in exchange for felled trees, then timber, particularly high-value timber, can be quite attractive, particularly to *conflict* entrepreneurs. Many tropical hardwoods found in various countries in Asia currently sell for US \$300 to US \$1,200 per cubic meter (m³). One softwood species, an aromatic cedar (*fokenia*), brings US \$4,000 per m³.

Drawbacks associated with timber include its bulk, which contributes to the difficulty of concealing and transporting it when compared with other types of *conflict commodities* (a generic term applied to any commodities used to finance conflict), e.g., diamonds, other gems and semi-precious stones, or gold. While timber is often quite accessible, felling it without shattering or otherwise damaging the stems—and so preserving their value—requires certain skills. Moving felled timber from logging sites to roadways or watercourses upon which it can be shipped to market typically requires heavy equipment (except, for example, trees growing directly on river banks).

Transforming raw wood into processed form (cants [squared logs], planks, veneers, parquet strips, furniture, etc.) adds dramatically to its value. But processing typically requires a plant, specialized equipment and a skilled staff. Few rebel groups are likely to control these factors of production. If they want to extract value from timber in areas they control, they usually contract with wood sector companies that have the capacity to organize logging, transportation, sometimes transformation and typically, export of wood products.

In contrast to rebel groups, the governments—particularly military units often dispose of transportation equipment adapted for moving heavy weights, e.g., logs that have been felled and cut, but remain unprocessed. Furthermore, if governments engage in Type I conflict timber incidents (logging to finance conflicts) they typically have little need to conceal wood as it is shipped to market.

Market Characteristics for Asian Woods

Complexities of the Asian market for woods reflect the circumstances in individual countries as well as regional and world market conditions. In general, global demand for wood is firming as more families worldwide accede to middle class status and acquire the disposable income to purchase high-quality wood furnishings and fittings. High-end tropical timbers, if they can be exported, will almost certainly find multiple buyers at prices attractive for sellers (typically, buyers contract to buy raw logs and processed wood products before they are shipped from the country).

In contemporary Asia, global demand for wood is backed by a very powerful regional demand. The PRC has been compelled by serious internal flooding to impose an integral logging ban. Reports suggest that this ban is systematically and strictly enforced with harsh penalties imposed on those judged guilty of infractions. With a population in excess of one billion and a burgeoning middle class, the PRC generates intense market demand for wood imports of all sorts. This demand has made itself felt literally as far away as the coast of West Africa. Numerous countries in that region actively export logs and processed wood to PRC clients (see Volume III, Democratic Republic of Congo Country Study, Appendix 2, Table A-2.1., “Main Countries Importing African Timber in Period Since 1988” for a bar chart depicting the demand, by importing country, for West African wood exports). *PRC demand tops that of any other single country* depicted in the chart.

The Chinese have reportedly bartered small arms and other weaponry to the regime of Liberian President Charles Taylor in exchange for Liberian logs. As noted, the PRC has also actively collaborated with the military Government of Burma, logging remote locations in the northern part of the latter country in exchange for timber felled during the construction of logging roads. Those logs are then exported to the PRC. In any case, the PRC’s powerful demand for wood, sharply reinforced by its domestic logging ban, hovers over the Asian wood market. The PRC is a potential buyer of last resort for any wood of value.

But market demand varies significantly from country to country, engendering quite different dynamics in each domestic timber market. Four cases—Afghanistan, Nepal, Vietnam and Indonesia—illustrate the range. Market demand for wood in eastern Afghanistan, on top of domestic demand for fuelwood and construction materials, derives primarily from Pakistan, where wood processing firms are desperate for wood to supply their operations. Pakistani logging firms carry out most of the timber felling in the remaining forests of eastern Afghanistan, and then reportedly move a large portion of the wood across the border to their home country.

In Nepal, currently engaged in a civil war launched by Maoist rebels against His Majesty’s Government (HMG), domestic demand for fuel and construction wood is not insignificant but, just as in Afghanistan, the major commercial demand for wood as an input for wood processing firms originates outside Nepal. Indian companies are contracting with loggers in the *terai*, Nepal’s one flat area, adjacent to the Indian border, to fell wood in *terai* forests for export to India. Given the size of the Indian domestic economy, any wood felled can be readily disposed of in local markets.

Vietnam presents a rather different case. Demand for the fragrant cedar (*fokenia*) appears practically unlimited. But logging occurring in the Vietnamese highlands appears less driven by demand for timber than in other countries. Instead, the Vietnamese government supports conversion of natural forests to high-quality coffee plantations, both as a strategy to earn foreign exchange and as a way to pressure non-Vietnamese highland groups (collectively, *les montagnards*) accused of separatist tendencies. Government security concerns underlie this kind of logging, rather than commercial demand for timber. The Vietnamese strategy is less overtly aggressive than that of the Burma junta targeting rebellious Burmese ethnic groups through partial deforestation, but it does lay the groundwork for reducing the

productive base of *montagnard* forest-dwelling groups, impoverishing them, and so reducing their capacity to resist government measures.

Indonesia, finally, presents a quite different scenario. In that country, the major demand for felling timber originates from domestic sources, most particularly three pulp and paper mills and a sizeable plywood manufacturing industry. The pulp and paper mills, located in Sumatra, together require 10,000,000 m³ of wood supplies per year to function at an economic level. Efforts to satisfy this demand have contributed materially to galloping deforestation on the island because mill-controlled tree plantations, contested by some local communities, have been unable to produce the required 10,000,000 m³ of wood fiber annually. Most remaining natural forests are under immediate threat and qualified observers project that they will be logged off within a few years. In other parts of Indonesia, e.g., Java, logging targets high quality woods such as teak (grown in plantations since the Dutch colonial era) for use by local furniture manufacturers. In yet other islands, Malaysian timber companies working under contract with military and police units have harvested much of the country's remaining natural forests. A considerable amount of that timber seems destined for export, much of it currently going to the PRC.

Governance Characteristics Relevant to Conflict Timber

Opposing Deforestation: An Unequal Battle

In Indonesia, communities dependent on forests for environmental services, construction materials, and a variety of non-timber forest products (NTFPs) including foods, bear the brunt of the negative effects of deforestation. Locals who see outsiders arrive to harvest timber on their community lands often try to resist, but usually find themselves engaged in an unequal fight. This situation reflects the governance characteristics of the contemporary Indonesian polity.

Devolution

The Suharto regime, in its last days, approved and implemented a program of devolution, transferring an ill-defined degree of control over forest resources from central government agencies to new, elected district governments. But devolution was implemented through a process often described as precipitous and chaotic. Resulting uncertainties have set the stage for repeated conflicts among government units and government levels (central, provincial, local) over authority to allocate logging concessions. Uncoordinated, overlapping logging licenses frequently result. These conflicting licenses unleash violence as license holders struggle to cut and claim trees before their "licensed" competitors do. The court system appears unable to establish precedence among or between competing claims, so the issue is resolved in the field, at the cost of serious, long-term damage to the country's forests.

Citizen Recourses: Unimpressive

The governance traits that characterize Indonesia are clearly not unique to that country. They are replicated in a number of other Asian polities and, in many ways, set the stage for conflict timber incidents. Rural Indonesians have relatively few recourses available to them to oppose policies and political decisions that counter their interests. The rule of law is usually conspicuous by its absence; media are certainly freer now than in the past, but journalists and media entrepreneurs face repeated efforts by actors involved in conflict timber incidents to bias their coverage of those events. Elections may offer citizens few meaningful choices among potential leaders.

Few countries among those surveyed in this volume provide effective recourses for citizens who are stakeholders in forests and might oppose their destruction by outsiders pursuing economic enrichment strategies. Indeed, central governments almost uniformly claim ownership of forests in the country and

the right to allocate harvesting rights through logging concessions. A variant of this situation exists in Indonesia, where devolution, as noted, has transferred some (ambiguous) degree of authority over forests from the central government to the new elected local district governments. Key elected individuals in those local government units have strong incentives to issue logging concession licenses to their supporters as a way of repaying campaign finance debts. Without controls on these sorts of activities, existing incentives are such that the rush to allocate logging concessions seems likely to continue, in the process authorizing legal destruction of much of the country's remaining natural forest.

Financial Flows

A critical element in the governance framework in almost all countries studied relates directly to the issue of controlling financial flows. As a review of the case studies reveal, in almost all of these countries it is possible to move money out of the country and into unmarked accounts abroad by a variety of money transfer mechanisms (private banks, money transfer shops (*hawalas*), bulk cash smuggling, etc.) that can also serve as means to launder illicit funds. Anyone, therefore, who identifies a means to make money from a conflict timber incident can be pretty certain to have the ability to spirit the money away without leaving a trace. This functions as a strong incentive for powerful individuals in the security forces, the government and the private sector to engage in any conflict timber activities that they consider might turn out to be personally profitable.

Indonesian Security Forces: Living Off the Land

Finally, in Indonesia, government policy requiring the police and military to auto-finance two-thirds of their operating budgets from businesses they operate, control, or service creates strong incentives for those who have arms and the means to apply violence to engage in conflict timber incidents. The record of such incidents, detailed in the Indonesia country study, indicates that these incentives produce results, even if at high cost to human rights, to accountability and transparency in the polity.

Proposals about approaches that USAID might adopt to address these issues appear in Volume I, the Synthesis Report.

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1.0 BACKGROUND SUMMARY

This report describes current relationships between conflict and timber in Indonesia based on an analysis of six provinces and a press review covering both national and local newspapers. Conflict arises where commercial stocks of timber are present. In every study area, the background to conflict lies in past repressive state control over forest lands under the Suharto regime, or even before in the colonial period. Old resentments that have long held the potential for violence have been unleashed. The recent upsurge in violent incidents related to timber has occurred in tandem with an ongoing and chaotic process of political decentralization along with capricious application of laws and regulations by new and old political elites. This study corroborates press and other reports in finding that no group in Indonesian society is innocent of involvement in conflict. Within each group of stakeholders, some elements promote illegal activities that lead to conflict, while other group members suffer directly or indirectly from these actions. This includes police and military officials, some of whom have, in the course of their duties, suffered serious injury or even died defending the written law, while others have benefited enormously. This same observation applies to communities. International companies buying forest products, or providing logging tools, are also directly or indirectly complicit in engendering conflict.



Porsea protest of PT TPL mill

Whereas timber-related conflict is based in rivalry for ownership of resources among political elites, security forces and different elements of civil society, and patterns of conflict vary by forest type and industrial exploitation. Those directly responsible for conflict are local gangs or syndicates, except in West Papua, where state-societal conflict prevails. Criminal syndicates constitute alliances among new and local political elites, business interests and security forces.

Five themes emerge that motivate and sustain conflict around timber in Indonesia:

- (1) *Implementation and enforcement of law is capricious, not consistent.* Law and order are strong when their implementation and enforcement are conducted in a consistent manner. The outcome of a consistent approach in most developed societies is an equitable legal system, rules of which are enforced with reasonable fairness and subject to government and civil society oversight. Indonesian law in general, and certainly forestry laws, are applied capriciously by the strong and influential to subjugate the weak and hound competitors. The law serves as a tool available to the powerful, select few to pursue personal or agency goals by pressuring opponents through capricious and arbitrary enforcement of rules.
- (2) *Fragmentation of political power has fragmented natural resource management authority.* Rapid devolution of political power from a kleptocratic regime that favored cronies and relatives of power holders to unprepared district governments has fragmented command and control over the country without creating meaningful opportunities for stable, democratic self-governance. Evolution of natural resource control systems highlight this evolution. Before decentralization, governance in Indonesia occurred through a hierarchical patronage system that allocated resources with some degree of equity. Patronage opportunities are now divided among and between branches of government at different levels with few incentives for collaboration among branches and levels. *Practical power over forests has been concentrated in individual districts*, with little coordination among branches of government within a district and almost none among governments of different districts.

- (3) *Newly devolved local, political powers are abused.* Decentralization was intended to alleviate poverty and vest significant authority in local governments within a newly democratized context. Instead, the old central government kleptocracy has been replaced by a plethora of district-level kleptocracies. District-level political posts are highly prized and dearly bought. Politicians often repay political campaign debts using the “currency” of resource extraction licenses. These they selectively allocate to the business interests that finance their political campaigns. As in the pre-decentralization era, communities rarely play any role in formal politics that gives them meaningful veto authority; as before, their resources are commandeered to suit the agendas and meet the goals of other actors.
- (4) *Old frustrations now erupt into conflicts.* Under the Suharto regime, the central state claimed and controlled forest lands. State officials issued licenses to exploit most of those and other natural resources to the families and cronies of power holders. Interests of local communities with customary (*adat*) claims to land were ignored. Provincial and district governments were kept weak, and their sectoral offices maintained in a state of subservience to the provincial-level offices representing central government ministries. Local governments and communities uniformly expressed frustration at their powerlessness. Communities whose lands were effectively seized by the state resented this; occasionally their fury found expression through violence. Community freedom to protest and act, however, was severely restrained by the central government and businesses controlling land in close cooperation with security forces. With decentralization, the central government’s power over land has dwindled, and in many places, its authority is apparent only on paper. Security forces have allied themselves with the new, post-decentralization district elites and the new localized business ventures that now extract resources for rapid, short-term benefits. Local communities harvest what they can where they can. These dynamics have touched off both horizontal and vertical conflicts.
- (5) *Formal security and military agencies are directly and indirectly involved in timber conflict.* Different groups extract resources under questionable laws and decrees. Some entities maintain control over their concessions and other operations either by purchasing security from police and security forces, or by setting up or backing new and established militias.

1.1 Governance in Indonesia: The Framework for Conflict

1.1.1 Political Regime

Indonesia’s regime may fairly be described as democratic. In 1999, the country held its first free and fair legislative election since 1955 and chose its president by competitive election for the first time ever. Because the previous, authoritarian regime had been in place for more than three decades, its power was difficult to distinguish from that of the state. As the regime weakened, so did the major instruments of state power, i.e., the military and bureaucracy. This emboldened many people and groups who had been disadvantaged by the previous regime to challenge the state and other groups whom they judged to have unfairly benefited during that period. In consequence, the last few years have witnessed an increasing number of conflicts and an intensification of existing conflicts.

Since current conflicts are legacies of the previous authoritarian regime, it is important to examine the aspects of that authoritarianism that contributed to the conflicts found in Indonesia today. Four of these are particularly important.

- (1) *Bureaucratic and military dominance:* Suharto took power in the late 1960s by exploiting his power as commander of the army’s elite Strategic Reserve Command to eliminate leftists and gradually force President Sukarno from office. From that point forward, he consolidated his control over the army’s regional commands and placed army officers in charge of most regional governments. To institutionalize his control further, he created a political party (*Golkar*) based on the civil service and supported by the army. Although the government held elections every five years, the combination of

bureaucratic and military backing for *Golkar* ensured victory for the government, so these elections were in no sense competitive contests.

This characteristic of the Suharto regime had two lasting effects. One was the absence of strong political parties and any tradition of representative government. The other was the weakness of the entire legal system, since the government ruled by bureaucratic fiat rather than through a deliberative legislative process, and use bureaucratic and military pressure to resolve conflicts rather than allow them to be settled through judicial processes.

- (2) *Corporatism*: Suharto and his ideologists asserted the state's right to organize and regulate society for the sake of society itself. In practice, this meant that his government did two things. First, it sought to depoliticize society by restricting political parties' right to organize the public. According to the doctrine of "floating mass," common people should be allowed to "float" between elections, uncontaminated by political interests. Second, it sought to mobilize society into state-created organizations for youth, women, teachers, laborers, lawyers, and so forth. Together, these measures sharply restricted the space in which civil society could operate.
- (3) *Patronage*: Suharto did not rely entirely or even mostly on the repressive stick. Instead, he offered many attractive carrots, mainly in the form of patronage. Large inflows of foreign aid and oil revenues in the 1970s and early 1980s endowed the government with vastly greater resources than any previous government in Jakarta had controlled. By funneling these through the bureaucracy, Suharto created a powerful incentive for people to cooperate with, and support, the government rather than oppose it. Over time, however, the bureaucracy came to be seen as corrupt.
- (4) *Centralization*: Suharto centralized Indonesia's political, military, and bureaucratic structures far more than had been done previously. In the 1950s, Jakarta faced several regional rebellions. Although it defeated them, the period afterward is often described as one of "de facto federalism" because of the autonomy that political and military leaders enjoyed. Under Suharto, this autonomy was sharply reduced. The president or his minister of home affairs essentially appointed provincial governors and district executives. In addition, the national government supplied the overwhelming majority of funds for provincial and local government budgets, as well as direction on how those funds should be spent. To ensure that national policies were followed in the regions, the government maintained offices of its own ministries in each province, district and municipality, duplicating the functions of local government bureaucracies. And the last line of defense against any potential for rebellion was provided by the army's territorial commands, which parallel the country's politico-administrative structures.

The democratic regime that replaced Suharto's authoritarian regime has several of its own characteristics that influence policymaking and affect the government's capacity to address the sources of various conflicts.

- (1) *Bureaucratic and military weakness*: Suharto's resignation removed the country's chief political patron. In his absence, neither of his regime's key pillars—the bureaucracy and the military—could count on receiving the material benefits he had granted them in exchange for their political support. New governments have found them to be unreliable instruments of power, partly because they are so closely tied to the former regime. In addition, however, their deep involvement in repression and corruption has made the public disinclined to obey their orders and regulations unless compelled to do so.
- (2) *Political weakness*: The rules under which Indonesia has chosen its political leaders since 1999 failed to produce a majority party or even a majority coalition. The largest party won just 31% of the seats

in the main legislative chamber (DPR), and 27% in the upper house (MPR), which holds the power to elect the president and amend the Constitution. Ideological differences among the major parties, and personal differences among their leaders, have prevented the formation of a ruling coalition.

Furthermore, the country's quasi-parliamentary political system has produced a *weak executive*. As in a parliamentary system, the legislature elects the executive, in Indonesia's case the president. However, in contrast to a parliamentary system, the executive does not have the power to dismiss the legislature and call fresh elections. In combination with the deep divisions in the legislature, this has hindered recent presidents' ability to assert leadership in the legislative arena.

Note that in August 2002, the MPR amended the constitution to require the direct election of the president beginning in 2004.

- (3) *Corruption*: Far from reducing corruption, the advent of democracy appears to have spurred the spread of corruption. Three reasons seem to be most important. First is the need that dozens of new political parties face to raise funds in order to compete—not just to win elections, but to ensure their survival. Another reason corruption has flourished is the weakness of the legal system. During the Suharto era, this was less of a problem because of the controlling and limiting impact of a powerful president and his associates. Thirdly, the implementation of decentralization has created heightened incentives for competition at the regional level at the same time as it has increased local discretion over spending, revenue collection, and licensing of businesses, including small-scale timber exploitation. Corruption flourishes at the local level because the legal system is ineffective, the central government no longer has the legal right or capacity to monitor local governments, and mechanisms of democratic accountability do not yet function effectively.
- (4) *Decentralization*: In 1999, the interim government that oversaw Indonesia's transition to democracy also adopted new laws to decentralize political power and fiscal resources. These laws did not take effect officially until the start of 2001. However, because of the political instability and struggles between the executive and legislative branches that followed the 1999 elections, little preparation was made to implement these laws. Consequently, the laws have been a source of great confusion and have hampered efforts to establish clear policies across a wide range of issues, including natural resource governance and management.

The principal incentive that motivates government security forces is the insufficient amount of resources they receive from official, legal sources. A secondary incentive is the opportunity that timber resources present for personal gain above and beyond the unmet fiscal needs of units in the field.

With respect to non-state actors, it is difficult to identify armed groups that are deeply involved in conflict timber. To the extent they are, as in Aceh or perhaps Papua, their motives seem similar to those of the official army and police forces: to acquire resources that permit them to operate and advance their own personal interests.

1.1.2 Major Domestic and External Problems Confronting Indonesia

Most of these have been dealt with elsewhere in this document. Domestically, Indonesia confronts several critical problems: armed rebellions, communal conflicts, weak security forces, rampant corruption, unaccountable politicians and a weak civil society.

One further source of challenge is the economy, which has not recovered from the crisis of 1997-1998. As a result of its response to that crisis, the government acquired a *massive debt which constrains its*

capacity to reform the state, such as by raising expenditures on the military and police in order to reduce their incentive to raise funds from timber or other off-budget sources.

A second domestic challenge is the existence and operation of groups allegedly connected to global terrorist networks. The largest single loss of life in a terrorist attack since September 11, 2001, occurred in Bali on October 12, 2002. An explosion outside a nightclub killed more than 180 people, primarily foreign tourists.

Externally, Indonesia faces few immediate or direct challenges. Donor countries continue to press for economic and legal reform, and the United States, together with most of its neighbors, is increasing pressure on Indonesia to attack alleged terrorist groups that operate within the country.

1.1.3 Accountability of Leaders to Voters

Accountability of political leaders to the electorate is weak. This is true at the national as well as regional (provincial and district) levels. This reflects a number of factors. First perhaps is the weakness of civil society, which is not capable of monitoring legislators' actions effectively or pressing legislators to put voters' preferences ahead of their own personal interests. Another is the weakness of the legal system, which permits legislators to seek and receive bribes from members of the executive branch. A third factor is the sheer novelty of the democratic process. Only one election has been held since the process of democratization began. Beforehand, voters had few reliable indicators of party or politician behavior, and since then they have not had a chance to cast votes against the parties they selected in 1999.

Deforestation and illegal logging have long posed problems in Indonesia, yet the control mechanisms of the Suharto regime—the military, particularly the army and police agencies—generally suppressed conflict to the advantage of government and business cronies. Implementation of decentralization policies and ensuing lawlessness has modified this system during the last four years. Turf wars over control of remaining forest resources now occur between various businesses, communities, foreign interests, different levels of government and security forces, i.e., police and military (fighting has erupted both *between commands within individual branches* of security forces and also *between branches* of security forces). Conflict is common and involves a variable range of participants depending on location and circumstance. Major protagonists include separatist movements, illegal logging gangs, communities and security forces among others. Each of these groups seems as likely to descend into fighting within its ranks as to fighting with other groups.

1.1.4 Assessing Degree of Conflict over Timber

The following discussion makes clear that, while there is “common knowledge” of “a lot” of conflict in the timber sector, getting accurate assessments of the “who, where, why and how” is difficult. Many conflicts involved only short spurts of violence, with a few injured here, one or two killed there. Centralizing information on these incidents is a critical need in understanding links between timber and conflict. Section 3.0, “A Press Review of Conflict and Timber in Selected Provinces,” below, moves in that direction.

Four principle reasons can be postulated as to why centralizing information about conflict timber incidents requires close coordination with nongovernmental organizations (NGOs) and other partners in timber rich provinces:

- (1) Individual incidents are rarely of sufficient scale to warrant mention in the national or international press. Review articles occasionally appear, particularly in more liberal and elite Indonesian publications like *Tempo* or *Trebus*. The international press tends to focus on broader, bigger and

flashier incidents like a relatively recent kidnapping and beating of two Environmental Investigation Agency (EIA) staff members, one Indonesian and one British, or travails of the pulp and paper industry in Riau in the wake of attention brought about by NGO campaigns. Yet follow up on these incidents and published analyses of patterns of conflict rarely occur.

- (2) Local press can be easily intimidated¹ or bought off. There is also a lack of journalistic capacity in remoter areas where forests are found.
- (3) Incidents of violence directly or indirectly related to logging activities, wood transport or wood sector business are so common that they only merit mention if they are unusually violent (such as recent *beheadings* in Riau) or well organized and implemented in an area of interest to NGOs or other relevant parties (e.g., a recent attack on a pulp mill transport route, again in Riau).
- (4) A violent attack on a business interest may succeed in intimidating the business if properly executed. The company concerned may, however, have more interest in hiding the story, paying off whoever is behind the attack, and getting back to work. This again reduces circulation of information on conflict timber incidents.

Over the past few years, and looking ahead to the short term, Type I conflicts over timber are an important problem in Indonesia. Type II conflicts may result over the longer term as extraction of timber causes downstream effects including:

- Water shortage,
- Water pollution,
- Fire,
- Lack of irrigation and drought,
- Soil erosion, and
- Lack of electricity.

Given the increased numbers of people affected over a wider area, there is reason to examine the proposition that Type II conflicts may prove larger, longer and, in the end, more serious than Type I conflicts. Type II conflicts are unlikely to involve only timber; they will result from a combination of the impacts of clearing forest, ensuing land disputes and a general background of political chaos.

1.1.5 Control Mechanisms – Overview of the History of Forest Loss and Management

Indonesian timber and conflict are rooted in the quality and quantity of natural resources available, their distribution, control and management. Extirpation of forest resources and their exploitative management, directed and controlled from the political center, have set the scene for the situation today and in the future.

Four factors have been proposed as underlying forest losses. [1] These seem to capture most current thinking:

- *Logging*: when it took off in the 1970s it opened up areas to repeated waves of new migrants.

¹ The best publicized example is the attack on Abi Kusno (see http://abc.net.au/4corners/content/2002/timber_mafia/interviews/interviews_kusno.htm for interview) following EIA investigation of illegal logging in Tanjung Puting National Park.

- *Transmigration*: government-sponsored displacement of poor communities from Java, and to a far lesser degree, Bali, to the outer islands. These movements peaked in the mid-1980s. Their side impacts were massive forest clearing caused by placement of people in areas where the potential for agricultural development was too limited to support the numbers of newcomers, the technologies they brought and expectations they had.
- *Spontaneous settlement*: opening of forest by industrial logging and conversion provided opportunities for self-sponsored migration of farmers and communities into new areas, with no regard for traditional rights of local communities in the logged areas.
- *Estate crops*: from the mid-1980s forward, the Indonesian government promoted conversion of forest to tree crops and oil palm. Like logging and transmigration, land allocation decisions were made by central government officials without concern for local communities' claims or local conditions.

The history of forest exploitation in Indonesia is one of central government control exacerbated by spontaneous immigration without regard for vital local needs and customs. This has fueled strong hostility to the “traditional” logging industry. Indeed, of the more than 480 legally licensed natural forest logging operations, only about half are currently active. The other half that have ceased operations did so for a variety of reasons. Often they shut down because they lost out in competition with illegal logging interests and could not handle the conflicts with communities that their own logging activities unleashed.

1.1.6 Decentralization and Legality

Any discussion of timber must take account of issues of legality and decentralization. When the Government of Indonesian (GOI) decided to decentralize power to provinces, it omitted to introduce this policy through a phased approach and to clarify exactly who had authority to do what, and where. Three levels of government—national, provincial and *kabupaten* (district/county)—now issue licenses over land. Each level of government asserts its authority over lands allocated by its licenses; simultaneously, each level of government denies the rights of other levels to allocate logging concessions. Bickering and the practice of issuing overlapping, uncoordinated licenses also occurs within each horizontal layer of government. At the national level, different ministries compete, while *Dinas* (departments) at the provincial and *kabupaten* levels, engage in the same practices. Given business interests supporting each unit of government providing licenses, and assumptions that corrupt practices underlie each government/business relationship, the scene is set for disputes between those laying claim to any single area of land. As will emerge in the descriptions below of conflict and situations that may give rise to more by area, some of these disputes are fought through proxies, particularly local communities. Those arrested are let off easily. The biggest fish appear to be immune from any interference.

Timber industry contacts express the opinion that large business interests hope the central government will wrest control from the provinces and impose military-style law, particularly following security crackdowns in the wake of the October 2002 bombings in Bali. The old guard hopes that the old ways of doing business and controlling forest resources can be revived. Given collusion between central military commands and businesses, suspicions that conglomerates with large timber interests might finance such initiatives seem founded.

1.1.7 Government, Business and the Military in Timber Industries

Strong business interests at the provincial level are reportedly backed by local security forces, particularly local military commands and police. Two particular features appear to facilitate such arrangements. First, the GOI provides only 30% of the military budget; the other 70% comes from a mixture of legal and illegal businesses. Observers speculate that proceeds of legal and illegal timber extraction contributes

significantly in this regard, but no definite figures are available. Revenue generation can occur directly through part ownership of companies. Security forces can “legally” obtain indirect revenue through contracts to protect sawmills and logging sites, or “illegally” through extortion and informal transportation tolls.

Secondly, some observers believe central political control over regional security force commands concerning their local businesses is eroding, especially given presumed closer collusion between newly localized political and military elites. In essence, what appears to have happened during decentralization is that the previous structure of central command and control between a triumvirate of Suharto, his business cronies and his military leaders has been duplicated across the country but in lower levels of government. As this has spread, lines of control between the center and the provinces and districts have loosened significantly.

Following the bombings in Bali, there may be reason to speculate that illegal logging, and the problems it generates, will increase. Many of the large resort hotels on the island reputedly draw on significant military investments. The bombing is predicted to cost US \$2 billion in lost revenue just for the last three months of 2002. This could reduce military revenues; shortfalls will have to be made up elsewhere.

Competition among security forces is rampant. Even during the Suharto era, armed conflict between police and army units were not uncommon, particularly over illegal businesses like gambling, prostitution and drug dealing. It is widely assumed that similar tensions also exist over illegal logging; conflicts presently continue. Indeed, during October, eight died in a gun battle in Sumatra between police and army over the police arrest of an army drugs dealer. During the fight, 1.5 tons of marijuana “disappeared” along with all supporting dossiers, the drug dealer and over 60 other inmates. These sorts of reports are among the rare pieces of public evidence that clearly demonstrate existing tensions. They add credibility to speculation that such struggles extend into the timber sector. The use of military-issue weapons, and military bullets in clashes that involve locally made weapons, add further reliability to reports and rumors that community clashes over timber may involve larger “principals” using those communities as proxies in miniature “cold wars”.

Members of legislatures, local and national, participate in illegal logging and the violence that surrounds it. The most notable of these is Abdul Rasyid, who owns PT Lingga Marintama and is a member of the MPR, the highest Indonesian legislative body. The company has been illegally logging Tanjung Puting National Park. In 2000, his staff kidnapped EIA activists for three days and beat them². An international outcry followed and the incident and logging of the park became an icon for stopping illegal logging. Yet the logging continues and an Indonesian journalist almost lost his life reporting more a year later. Mr. Rasyid retains his seat as a *Golkar* (Suharto’s former ruling party) representative. Such people are above the law—willing to resort to violence with no fear of retribution.

1.2 Forests in Indonesia

1.2.1 Forest Governance

Any discussion of forest management in Indonesia must recognize its transitional state as a result of the 1999 decentralization laws. Laws 22/99 and 25/99 signaled the Indonesian government’s commitment to decentralization, and intention to provide enduring benefits to the poor through sustainable development of natural resources and protection of the environment at district level (one layer of government administration below the province). The rush to take advantage of autonomy laws has unleashed a disaster

² <http://www.salvonet.com/eia/cgi/news/news.cgi?a=86&t=template.htm>; Press Release: Australian film on Indonesian illegal logging causes outrage. 31 July 2002.

for local environments throughout the country. The new local governments issued natural resources exploitation permits to capture local revenues, typically to benefit local political elites rather than general populations. Local governments were largely ignored during the Suharto era. The ill-trained staffs of local government units (LGUs) lack long-term visions for the development of their jurisdictions. Policies, plans and strategies for sustainable management and development of resources are conspicuous by their absence. Horizontal and vertical conflicts have sprung up among and between communities, governments and private companies as competing claimants jockey for access to renewable resources and harvest them in unsustainable ways. Stronger, more influential actors win while local communities remain disadvantaged or often lose ground as their resource base is plundered. Community residents often develop a “grab it while you can” attitude that places them in direct competition with local elites and their security units. Some local communities have experienced short-term improvements in the form of bubble-like, economic benefits from small-scale, natural resource exploitation operations. These benefits have been unevenly distributed within and between communities. Middlemen and contractors have captured most of the benefits. Communities, by contrast, will reap the long-term, negative impacts of the current headlong race to harvest remaining forest resources and thus effectively complete the deforestation of Indonesia.

Compounding these issues are unresolved conflicts of laws. Decentralization Law 22/99 and the Forest Law 41/1999 contradict each other. The former grants autonomy of decision making over forest resources to district authorities but the latter retains the preeminence of Ministry of Forestry (MOF) decision-making power over the sector. Pre-decentralization, MOF licensed forest concessions to entrepreneurs for natural forest management or conversion. Local governments and communities had no say in the process. The MOF was represented in the provinces by the KANWIL offices. KANWIL staff handled local forest issues, backed to limited degrees by provincial and district *Dinas* offices, answering to the governor and district chief, respectively. Since the advent of decentralization, KANWIL offices have been disbanded and many staff transferred to *Dinas* offices. *Dinas* offices at the provincial level are weak, while those at the district level are strong.

Horizontally and vertically conflicting decisions by levels and branches of government are rampant because when the central government devolved power it did not undertake a phased approach nor give unambiguous instructions as to who had authority over what. Different ministries at the national level and *Dinas* sectoral offices at provincial and district levels now issue overlapping resource extraction licenses. Business interests ally with and support each unit of government that issues licenses. Corrupt practices are widely assumed to characterize these interactions. Thus the scene is set for disputes between those asserting competing claims to any single area of land. As will emerge from the descriptions, below, of conflict and situations that may give rise to more conflict by area, some of these disputes are fought through proxies, particularly local communities. Exacerbating conflicts further is the fact that each level of government issuing a license adamantly asserts its legal authority to do so.

Business interests at all levels of government work in conjunction with security forces, particularly local military commands and police. Two factors promote and consolidate this close collaboration. First, it is widely reported and believed that the GOI provides only 30% of the military budget. The remaining 70% are covered by proceeds from a mixture of legal and illegal businesses that security and military entities control. No definite figures on these financing arrangements are available. Informed observers believe, however, that revenues derived from legal and illegal timber harvesting flow into security agency and military operating budgets. Security forces derive one stream of revenues from partial ownership of companies. They capture another stream of revenues through contracts to provide security services for sawmills, logging concessions and forest plantations. A final stream of illegal revenues, frequently reported in the press and other sources, flows to security officials from extortion operations (“juice rackets”) and informal transportation tolls.

Regional military commands, except in Papua, are aligning with local political elites as well as local businesses to their mutual financial benefit. In Papua, there appears to be little collusion between security forces and local politicians. In practical terms the military runs natural resources extraction. Local politicians resent this, as they are effectively disempowered. Papua perhaps represents the only part of Indonesia where there is state-societal conflict. Conflict timber problems clearly highlight this situation.

Security forces commonly compete with each other, often violently. Even during the Suharto era, occasional reports flagged armed conflict between police and army units, particularly over illegal businesses in which both engage, e.g., gambling, prostitution and drug dealing. It is widely assumed that such tensions also exist over illegal logging. Such conflicts continue currently. Indeed, during October 2002 in Sumatra, eight people died in a gun battle between police and army touched off by police arrest of an army drug dealer. During the fight, 1.5 tons of marijuana disappeared from police evidence along with all supporting dossiers, the drug dealer and over 60 other inmates.

Members of legislatures, local and national, participate in illegal logging and the violence that surrounds it. These and other powerful and influential figures can use the law capriciously to subjugate weaker parties, as well as to intimidate competitors.

I.2.2 Forest Types and Conflicts

The Indonesian archipelago measures 5,150 km east to west. It consists of 13,677 islands straddling the equator, of which 6,000 are inhabited. The islands contain various types of natural forest, old teak and mahogany plantations (located largely on Java), and newer plantations of *Acacia*, mahogany and pine.

Borneo and Sumatra

The major forest areas with the most industrial activity lie in Borneo and Sumatra. Sumatra is situated entirely within Indonesia. Borneo, by contrast, is divided among three countries; to the north are the Malaysian states of Sabah and Sarawak, and the independent country of Brunei. The bulk of Borneo lies within Indonesia, and is subdivided into the four Kalimantan provinces.

Figure I.1. Forested Areas in Indonesia



Borneo and Sumatra, as well as Peninsula Malaysia, all have forests dominated by the tree biological family *Dipterocarpaceae*. The best known trade name for timber of these species is *meranti*, which

supplies most raw materials for the plywood market. Within Sumatra and Kalimantan, the largest tracts of remaining natural forest are in the northern part of East Kalimantan and areas of Central Kalimantan. In Sumatra, the greatest remaining areas of natural forest are found in Aceh and North Sumatra; some large forested areas still exist in Jambi. Until 20 years ago, Riau had some of the last great extents of natural forest. Enormous areas have since been converted to agricultural crops such as rubber and oil palm, and to tree plantations. Tree plantations feed the pulp and paper mills on the island and consist mainly of *Acacia* with some *Eucalyptus* and pine.

- **Natural forests.** Low level, usually spontaneous conflicts are common across all managed natural forests in Borneo and Sumatra. They will probably increase as massive over-capacity in the pulp and paper industry overwhelms remaining natural forest areas. Sumatran lowland forest is liable to be extirpated within the next five years. In Borneo, informed observers' project that all lowland forests will be cleared within the next ten years. Over the last three years, various district heads have issued district-level extraction permits to local, national and international interests on land already licensed by the central government to other industrial interests. Over the last two years, these new loggers, consisting of local contractors and Malaysians, have rapidly increased in number. Malaysians, with collusive support from customs and security forces, have imported heavy equipment such as large bulldozers, excavators and trucks into East Kalimantan. Roads have been pushed into concessions and protected areas, and local labor hired under conditions that deteriorate as timber supplies dwindle. Frequent incidents erupt when established companies try to protect "their" assets from local communities. Residents of those communities obtain better terms from locally licensed operators, who mobilize them to attack the established company. In the ensuing frays, camps are burned, equipment destroyed and staff beaten. Many companies have either closed their threatened operations or entered into deals with local operators to reduce "security" pressures.

Horizontal conflict occurs *between communities*, for example, when two villages seek to claim compensation for lands scheduled to be logged under locally issued licenses. *Vertical conflict* occurs *within villages* when gains obtained from such arrangements are either distributed unfairly within the village, if at all, or are tied to agreements made by one element of a community without agreement or participation of the others.

The pulp and paper industries in Sumatra, particularly in Riau and North Sumatra, are long-lived, well organized and committed to violence if necessary to realize a profit on these operations. Until 20 years ago, Riau had the last great expanses of lowland dry and swamp forests in Sumatra. Today these have been logged so that only 40% remain; much of the surviving forest has come under increasing pressure from logging, and conversion to oil palm and *Acacia* plantations. As Riau's forests dwindle, the fight to exploit remaining patches intensifies. Incredibly, the province hosts two of the world's largest pulp mills (*Indah Kiat* and Asia Pacific Resources International Holdings Ltd. [APRIL]), situated within 100 km of each other. To operate economically, these two mills require in excess of *ten million cubic meters* of wood per year, most of which currently comes from natural forest.

- **Plantations.** *Acacia* is worth about US \$15 per m³. Plantations can be harvested at about seven years. Entrepreneurs have established most of their pulp wood plantations on traditionally held (*adat*) lands. Local communities have little motivation to grow *Acacia* for mills when they can earn far better money from oil palm plantations. Communities engage in land grabs and also torch *Acacia* plantations. Coercive and retaliatory attacks by mill owners can involve scores of protagonists and have been well documented by national and international NGOs. Illegal logging gangs occasionally fight localized wars over territory suitable for logging.

The most institutionalized violence occurs around the *PT Toba Pulp Lestari* (PT TPL) mill in North Sumatra, previously known as Indorayon. The mill reopened in 2003 after having shut down for two

years following mass protests. Police and security forces now protect the mill. Weekly media reports document beatings, short-term abductions with or without beatings, occasional shootings and imprisonment of community members. The town of Porsea, adjacent to the PT TPL mill, currently operates under a regime of terror instituted by the company. Churches and local NGOs continuously organize protests against mill operations.

Java

After independence, the Indonesian government restored the Dutch colonial system for management of teak plantation forests. Following a few changes over the years, plantation management was consolidated in a single parastatal company, Perhutani. The parastatal manages plantations located in a number of smaller estates, the majority in central and west Java. The political destabilization of the late 1990s encouraged greatly increased levels of illegal logging by local communities. Local gangs, often in the employ of teak processors seeking input stocks, lead these operations. These activities have been reinforced as young male labor migrants abandon cities in the wake of the Southeast Asian recession and large-scale urban unemployment, and return to their countryside villages.

Violence opposing communities and Perhutani and its hired security forces has increased, although accurate figures on the scale of these incidents are not available. Shootings, stabbings and burning of properties, sometimes involving fatalities, are reported at least five times per year in the press from two districts alone. Nonetheless, the level of conflict is low and likely to continue as such under current circumstances. *Profits* available to individuals engaged in *teak theft* are *enormous*. Top quality teak fetches US \$1,200 per m³ in nearby city factories, whereas Kalimantan *meranti* sells for less than a tenth that figure.

West Papua (formally Irian Jaya)

Illegal logging has surged in recent years in West Papua and unlike other provinces, appears to be controlled by security forces. The province has conflict issues rooted in state-societal conflict. As the International Crisis Group (ICG) points out:

The resource industry with the widest geographical impact in Papua is the logging industry, whose concessions cover nearly a third of the province. ICG research in Papua, notably the western Sorong region, suggests widespread abuses by logging companies which exploit and deceive local people, pay little or no heed to environmental sustainability and rely on the military and police to intimidate villagers who protest.[2]

West Papua contains the largest tracts of forest relatively undisturbed by commercial industry in Indonesia. These are not as commercially valuable as the *Dipterocarpaceae*-rich forests of the west, yet are extremely attractive to loggers given the volume of timber available. West Papuan forests are also being actively cleared for conversion to oil palm. Lands belonging to Papuans are managed by recent newcomers, largely of Javanese and Sulawesi origins. The army appears to control resource rights indirectly. Communities and local governments are far less empowered than elsewhere in the Indonesia archipelago. Institutionalized racism among other Indonesians concerning Papuans explains this anomaly to some extent.

1.3 Reporting on Timber and Conflict

Conflict is underreported in the Indonesia media. This results from a number of factors including:

- The buying off of mass media;

- Intimidation of journalists;
- A lack of journalistic capacity in the more remote areas where forests still exist;
- Press coverage that reports individual incidents, yet rarely analyzes their background causes or similarities among them. In consequence, individual acts of sporadic violence that appear relatively minor, quick and repetitive when seen in isolation, elicit little media attention. Individual incidents are rarely of sufficient scale to warrant mention in international press.); and
- Violent attacks on business interests that may succeed at intimidation if properly executed. The company concerned may have more interest in hiding the story, paying off whoever is behind the attack, and getting back to work.

Because there is little journalistic investigation into the background of conflicts, motivations and the identities of protagonists are usually elusive. Evidence of who they might be is largely circumstantial and will remain so unless, as an NGO staffer interviewed for this study put it, *people are brave enough to infiltrate security forces, gangs and government to peel back the layers of corruption and collusion that lie behind the fundamental problems leading to conflict over timber*. These problems appear firmly rooted in the interests of power elites at all levels of society, including government officials, security forces, community leaders and NGOs.

1.4 The Future

Given the level of collusion between so many layers and sectors of Indonesian society, a complete picture of timber-related violence and illegal logging across the country seems unlikely to emerge. Yet trends indicate that while governance remains poor and civil society at district levels weak, primary conflicts over forests and the lands they stand on will continue where it makes economic sense to log them. Secondary conflicts may result in the long term by the extraction of timber causing downstream effects including water shortage, water pollution, fire, inadequate irrigation flows, drought and soil erosion leading to landslides and reduced agricultural output.

No obvious answers are available that apply equally throughout all parts of Indonesia. In some areas where local media sources are unafraid to speak out, they employ the strategy of “naming and shaming” to embarrass protagonists in timber conflicts and subject them to public attention and oversight. Protests and direct action against large and unethical businesses are common. Yet a broadly shared consensus holds that the issue of timber conflict is rooted in governance and a lack of consistent implementation of the law. Improving governance and judicial reform will offer, apparently, the most productive ways to address conflict over natural resources.

One recourse immediately open to those outside Indonesia is enforcement of honest and transparent procurement policies for timber and timber products like pulp and paper. If buyers and their governments were to purchase only products harvested sustainably with benefits of sales distributed equitably and transparently and, by contrast, to boycott products of non-responsive firms, the latter would rapidly experience loss of sales and a negative effect on their bottom lines. This is already apparent in limited ways where NGOs have lobbied creditors and buyers of plywood, paper and round logs. If these efforts were to be backed by governments and more generally by consumers, much of the economic advantage, and therefore the force associated with illegal logging and the violence it engenders would be diminished. This strategy assumes, however, reliable monitoring and information dissemination strategies so that purchasing agents could easily identify compliant firms and formerly non-compliant firms that change their behavior and could be rapidly rewarded for their improved performance.

2.0 INFORMATION SOURCES

This report draws on the backgrounds of study team members, among whom Raharjo, Manembu and Jarvie have long experience with the timber sector and social problems across most of the Indonesian archipelago. It also draws heavily on interviews and secondary sources, particularly concerning financial and banking arrangements in Indonesia and the Southeast Asia area. The report seeks to elucidate relationships between conflict and timber in Indonesia through reports on different provinces to further evaluate the particular sorts of conflict found in each. Whereas the report highlights distinctive types of conflict and the sorts of actors who engage in them, it must be seen as, at most, a scoping of the problem. We highlight patterns of conflict (exemplified by illustrative cases) that pit different sectors of society involved in the conflict timber realm against each other. Most cases and details have elements that remain obscure, not just to the research team, but to the various NGO groups, companies, parliamentarians and donors who shared information about these incidents. Details of the case studies are provided in the attached appendices.

Press coverage of conflict and timber is patchy and incomplete. Nonetheless, a press review was commissioned to gauge what patterns of conflict are reported in the press among the provinces studied. The statistics gathered are used to indicate trends in conflict rather than absolute numbers.

An overview of conflict and timber in Indonesia was discussed among the conflict team. Discussions were held in Jakarta with conflict specialists to obtain their input. Seven geographic areas were selected as critical; interviews in these areas were conducted with local experts in conflict relating to timber and, where possible, with those participating directly and indirectly in such conflicts.

2.1 Provinces Selected for Study

2.1.1 Central and East Kalimantan—Natural Forest

Central and East Kalimantan still have significant areas of natural forest. Forest-related conflicts are frequent. Central Kalimantan, like West Kalimantan, saw serious outbreaks of violence between Madurese and other ethnic groups, particularly Dayaks, during which thousands died in the late 1990s. In East Kalimantan, reports highlight tensions building up among ethnic groups, in part over competing claims to natural resources.



Illegal logging trail in Riau

2.1.2 West Papua—Natural Forest

The forests of West Papua are being rapidly opened for log production and plantation development. The situation in the province is complicated by an ongoing independence struggle mobilized by *Organisasi Papua Merdeka* (OPM), and the presence of local and national militias, including radical Islamic forces.

2.1.3 Riau and North Sumatra—New Plantations for Pulp Fiber

The pulp and paper and oil palm industries have converted huge expanses of Riau forest to plantations; local rights have been ignored. Low-level violence is widespread and increasing. Rural poverty is on the rise, as the poor are progressively denied access to vital natural resources. In North Sumatra, Indorayon, a pulp mill that was closed by community mass action, has changed its name and reopened as

TPL. The protests were over community perceptions of pollution and land grabs by the company for plantation development. Community protests continue apace, violence has been reported and arrests are numerous. There is a need to ascertain the forces behind conflicts in a relatively new industrial plantation setting, assess the likelihood of the spread and intensity of associated violence, and identify any industry, donor or NGO initiatives that may have mitigated conflicts, as pointing the way toward possibly more productive solutions to such problems.

2.1.4 East and Central Java—Old Plantations of Long-Established Teak

The Java teak industry has been controlled by a parastatal company, Perhutani, for many years. It generates large revenues, producing high-quality logs that are processed into equally high-quality end products such as garden furniture. Since the fall of the Suharto regime, low-level conflict between communities and the company has been increasing, although several initiatives appear to be making headway in developing better community–company partnerships that will both better protect the resource and reduce conflict.

This report is largely based on information gathered in these seven provinces, but also uses other information sources where appropriate. Only public sources of information are cited in this report. Several informants requested anonymity for fear of reprisals against them.

3.0 A PRESS REVIEW OF CONFLICT AND TIMBER IN SELECTED PROVINCES

Press coverage of any politically sensitive issue in Indonesia must be evaluated with some caution. Conversely, as opposed to the Suharto era when issues like conflict and timber were largely hidden, they are now widely reported. The thoroughness, completeness and honesty of reporting are often open to question. A press review was commissioned from the Surabaya-based *Lembaga Konsumen Indonesia*, an Indonesian media review group with extensive experience in press analysis, particularly in the area of conflict. The objective of the review was to assess in quantitative terms print media reporting of conflicts in parts of Java, Sumatra and Kalimantan. The assessment examined six newspapers considered to be widely read and the best in their geographical areas. Given gross underreporting of violence surrounding natural resources and military issues and control in West Papua, the province was not included in the media study.

As noted in the discussion following Tables 3.1-3.9, below, newspapers do not systematically cover all conflicts. This occurs for diverse reasons:

- Inability of journalists to follow the story;
- Difficulty for journalists to see the “big picture” and the larger patterns of conflict that underlie many little incidents;
- Intimidation tactics adopted by subjects of unflattering stories, who threaten either journalists or publishers involved with those stories; and
- Bribery tactics designed to suppress coverage of such stories.

Nonetheless, the newspaper survey was judged useful insofar as it does provide absolute and relative numbers concerning print media coverage of conflict timber incidents, parties involved in these incidents, types of violence, etc. For reasons just noted, these figures are not likely to be exaggerated.

3.1 Methods

Kompas, published in Jakarta, and *Jawa Pos* from Surabaya were selected from the national print media. *Sumut Pos* of Medan in North Sumatra, the *Riau Pos* of Riau, the *Kaltim Pos* of East Kalimantan, and *Suara Merdeka* of Central Java were selected from the local print media. Information was extracted from news over the past year dealing with conflicts concerning land, environment, forests and other biological resources.

Parameters recorded and coded were:

Categories of Conflict

1. Institution versus Institution
2. Community versus Institution
3. Community versus Community
4. Community versus Government
5. Institution versus Government
6. Government versus Government

Types of Land- and Resource-Related Conflict

1. Production forestry

2. Forest conservation
3. Tourism/hotel/resorts
4. Industrial zones
5. Plantation
6. Mining
7. Fishery
8. Animal husbandry
9. Housing/new city
10. Military facility
11. Public facility/community
12. Land administration
13. Dam/Irrigation
14. Government facility
15. Industrial timber estate
16. Others

Forms of Conflict

1. Demonstration/rally
2. Blockade/closure/occupation/border determination
3. Destruction of property
4. Strike
5. Beating/torture/shooting
6. Hostage/confiscation/arrest
7. Others

Types of Violence and Threats of Violence

1. Torture
2. Murder
3. Shooting
4. Kidnapping
5. Arrest
6. Building destruction
7. Vegetation destruction
8. Terror
9. Intimidation
10. Others

Impacts of Violence

Formal sources (institutions) and informal sources (eyewitnesses and other unaffiliated individuals) were separated out.

1. Light injury
2. Serious injury
3. Missing
4. Dead
5. Arrested
6. Fear/trauma



News Locations

1. In the conflict area
2. Surrounding the conflict area
3. Outside the conflict area

News Resources

1. Outside community (not involved in the conflict)
2. Government
3. Institutions
4. Police/military officers
5. Experts/academic scholars/observers
6. NGOs
7. Legislative
8. Judiciary
9. Community
10. University students
11. Journalists/media/news agency
12. Anonymous

Actors Involved in Conflict

1. Tribal/religious leaders
2. Thugs/criminals
3. Institutions
4. Government
5. Police/military officers
6. NGOs
7. Legislators
8. University students
9. Community or political organizations
10. Community
11. Unclear

Instigator

1. Tribal/religious leaders
2. Thugs/criminals
3. Institutions
4. Government
5. Police/military officers
6. NGOs
7. Legislators
8. University students
9. Community or political organizations
10. Community
11. Unclear

Solutions to Conflict

1. Amicable negotiation
2. Material compensation
3. Nonmaterial compensation
4. Court case
5. Without solution
6. Others

3.2 Results

This research analyzed six selected newspapers. All six published regularly during the one-year period preceding February 2003. Each newspaper published news on social conflicts and violence in cases concerning land, forestry and environment to the following extent:

Table 3.1. Incidents of Violence Reported in the Press

Newspaper	Number of Incidents
Kompas	198
Jawa Pos	184
Suara Merdeka	120
Sumut Pos	93
Kaltim Pos	174
Riau Pos	76
Total	845

The difference in the number of incidents per publications was masked by using percentages of items examined against the total number of news articles in respective newspapers. In a number of conflicts more than one conflict categorization occurred in a single article. **Percentages** reported reflect the occurrence of each violence category recorded from any news source considered. The following conflict categories emerged from the analysis.

Table 3.2. Categories of Conflict (%)

Categories of Conflicts	Suara Merdeka	Jawa Pos	Kompas	Sumut Pos	Kaltim Pos	Riau Pos
Institution vs. Institution	3,3	9,8	4,5	6,5	15,5	2,6
Institution vs. Community	62,5	47,3	45	74,2	51,1	71,1
Community vs. Community	3,3	3,8	0,5	0	5,2	0
Community vs. Government	18,3	17,9	29,3	14	13,8	15,8
Institution vs. Government	9,3	17,9	19,2	4,2	11,5	9,2
Government vs. Government	3,3	3,3	1,5	1,1	2,9	1,3

Conflicts most frequently reported, particularly in the Sumut Pos and Riau Pos, occurred between institutions and communities. These confrontations involve both private and state-owned companies. Compared with other newspapers, the national daily Kompas recorded the smallest percentage for this category, although it is the largest compared to other categories in the same newspaper.

News on vertical conflicts dominated coverage of social conflicts and violence in the fields of environment and forestry. Conversely, horizontal conflicts among the elements of communities or government, such as the conflict categories of community against community, or government against government, are relatively rarely reported. This may be because these conflicts indeed rarely occur, but may also result from conversion of horizontal conflicts into vertical ones.

The pattern of conflict pertaining to forest use is presented below.

Table 2.3. Types of Land Conflict (%)

Types of Conflicts	Suara Merdeka	Jawa Pos	Kompas	Sumut Pos	Kaltim Pos	Riau Pos
Production Forestry	55,8	10,3	4	4,3	6,4	2,6
Forest Conservation	1,7	7,6	21,7	7,5	12,6	6,6
Tourism	0	0,5	0,5	0	1,1	0
Industrial Zones	3,3	1,6	1	53,8	0	1,3
Plantation	5	9,8	1	22,5	4	22,4
Mining	0	20,1	10,1	0	7,5	0
Fishery	0	1,6	0	0	2,4	0
Animal Husbandry	0	0	0	0	1,7	0
Real Estate	3,3	2,7	3	1,1	22,4	0
Military Facility	0,8	0	0	0	0	0
Public Facilities	9,3	15,3	10,6	1,1	10,3	6,6
Land Administration	11,7	17,4	37,9	7,5	17,2	44,7
Dam/Irrigation	3,3	10,3	2,5	1,1	0,6	0
Government Facility	0	0	0,5	0	2,4	0
Industrial Timber Estate	2,5	0,5	6,2	0	3,4	14,5
Others	3,3	2,3	1	1,1	8	1,3

Different media have different foci in conflict type reporting, probably reflecting the sorts of forest in their readership areas. *Suara Merdeka*, a local newspaper, devoted half of its reports to production forests—the teak forests of Java. The *Sumut Pos* recorded 53.8% of its news on industrial estates and 22.5% on plantations; most of its coverage area in North Sumatra is dominated by such forests.

Physical actions are the most reported in conflict news, possibly because they sell copy. Among such actions, demonstrations and destruction of property are the most overt forms of violence reported in news reports.

Table 3.4. Forms of Conflict (%)

Types of Physical Actions	Suara Merdeka	Jawa Pos	Kompas	Sumut Pos	Kaltim Pos	Riau Pos
Demonstration	4,2	12,5	22,2	43	12,6	17,1
Blockade	2,5	9,2	5,1	5,4	8	9,2
Destruction of property	20,8	14,1	7,6	6,5	6,9	5,3
Strike	0,8	0	0	0	0	0
Beating	0	4,9	1	6,5	2,3	3,9
Hostages	0	1,6	0	1,1	2,9	3,9
Others	16,7	2,7	2	4,3	1,7	1,3

Among the media reviewed, the highest percentage of demonstrations was reported in the *Sumut Pos* concerning PT TPL. The highest percentage of reports concerning destruction of property appeared in *Suara Merdeka*, mostly concerning theft and illegal cutting of forests from Perhutani estates on Java. This level of reporting may be due to good communications and/or the long-running tenure disputes surrounding the Perhutani teak estates.

When violence erupted over the last year, newspapers reviewed in the study broke it down into the categories presented below.

Table 3.5. Types of Violence (Numbers of Incidents)

Types of Violence	Suara Merdeka	Jawa Pos	Kompas	Sumut Pos	Kaltim Pos	Riau Pos
Torture	2,5	4,9	6,1	9,7	1,1	2,6
Murder	0	0	0,5	0	0	0
Shooting	3,3	1,6	0,5	1,1	0	0
Kidnapping	0	0	0	0	0	0
Arrest	17,5	1,1	6,6	16,1	0	1,3
Building Destruction	5,8	5,4	2	6,5	0,6	2,6
Vegetation Destruction	11,7	3,8	4,5	1,1	5,7	1,3
Terror	1,7	1,1	1	2,2	2,3	2,6
Intimidation	0,8	1,1	6,6	3,2	1,7	5,3
Others	0,8	0,5	0	0	0	0

Yet in Kalimantan in particular (see Appendices 1 and 2), destruction of property and violence are far more widespread. These incidents are simply not reported. In West Papua (Appendix 3), state violence is both frequent and noted as underreported by various informants, including NGOs and elected politicians.

Violence impacted the following numbers of victims:

Table 3.6. Impacts of Violence

Victims	Suara Merdeka	Jawa Pos	Kompas	Sumut Pos	Kaltim Pos	Riau Pos
Formal Sources						
Light Injury	0	2	7	6	0	3
Serious Injury	6	23	0	0	2	2
Missing	0	0	0	0	0	0
Death	3	0	2	3	0	0
Arrest	29	5	15	47	0	14
Fear/trauma	12	0	0	5	0	0
Total	50	30	24	61	2	19
Informal Sources						
Light Injury	0	2	17	17	3	0
Serious Injury	0	0	0	2	2	0
Missing	0	0	0	0	0	0
Death	0	0	2	0	0	0
Arrest	3	5	15	22	0	0
Fear/trauma	35	0	0	0	0	0
Total	38	7	34	41	5	0

As the appendices reveal, these figures mask reality. Short-term abductions, sometimes involving severe beatings, are a regular feature of the conflict around the pulp mill of PT TPL in North Sumatra. Trauma is certainly far more widespread than newspapers note.

News sources journalists consult determine the character of the news published and understanding among noncombatants. The six newspapers showed preferences for four news sources: the government, institutions, police or military and involved communities. *Suara Merdeka* was recorded as using the most governmental news sources. *Jawa Pos* uses the most news sources from institutions. Use of sources from the police or military was highest in *Suara Merdeka*. Use of community sources was highest in the *Riau Pos*. Anonymous sources were most common in the national daily, *Kompas*.

Table 3.7. News Sources (%)

News Sources	Suara Merdeka	Jawa Pos	Kompas	Sumut Pos	Kaltim Pos	Riau Pos
Outside Community	2,5	0,5	0,5	8,6	2,3	1,3
Government	49,2	18,5	46,5	20,4	20,1	48,7
Institution	23,3	45,7	42,4	22,6	44,8	40,8
Police/military	43,3	19	12,6	5,4	4,6	7,9
Experts	0,8	3,8	12,6	4,3	1,1	1,3
NGOs	3,3	7,6	17,2	33,3	8,6	6,6
Legislative	5,8	18,5	14,1	17,2	17,2	14,5
Judicial	2,5	3,3	6,5	0	2,3	0
Community	35	26,6	29,3	30,1	28,2	43,4
University Students	0,8	0	1	3,2	0,6	5,3
Journalists	17,5	2,7	33,8	15,1	3,4	14,5
Anonymous	3,3	1,1	7,6	0	1,7	0

The trend in the media to use formal institutional sources is common in developing countries. A number of similar studies by the LKM on Fairness and Accuracy in Reporting (1999), Peace Journalism (2000),

and Bali Bombing in the Media (2002), showed similar tendencies. Formal sources can usually be “easily accessed” and contacted at anytime, therefore easing the job of the media. The media ought to seek out alternative sources that may provide the “real information” behind a story. Such sources are largely found in NGOs or student circles. These are the parties who have conducted intensive advocacy and field support of protests and mass actions; and frequently constitute the pillars of community collective resistance. The cases of the PT TPL pulp and paper mill in Porsea, described in Appendix 3, new housing in Central Java, and lime mining for cement in Gresik are examples where NGOs and student circles advocated and accompanied demonstrations. Nonetheless, most media ignored these sources, and used instead exclusively formal information sources as the basis for their coverage

The review identified conflict actors as any party engaged in a dispute without judgment of who was in the right or the wrong.

Table 3.8. Actors Involved in Conflict (%)

Conflict Actors	Suara Merdeka	Jawa Pos	Kompas	Sumut Pos	Kaltim Pos	Riau Pos
Tribal/Religious Leaders	0	0,5	1	18,3	0	11,8
Thugs/Criminals	5	3,3	0	0	0	1,3
Institutions	7,5	62	41,9	32,3	43,1	34,2
Government	9,2	32,1	33,8	14	10,9	46,1
Police/military	0	5,4	9,6	10,8	1,7	10,5
NGOs	0	3,8	8,1	38,7	1,7	3,9
Legislative Members	0	5,4	5,1	19,4	1,1	22,4
University students	0	0	0	7,5	0	5,3
Community/Political Organizations	0,8	0,5	0,5	3,2	0	1,3
Community	74,2	47,8	40,9	52,7	29,3	60,5
Unclear	5	2,7	1	1,1	13,2	2,6

The percentage of communities reported to be involved in timber-related conflicts was very pronounced in almost all media. As demonstrated in the case studies, they either participate in conflicts directly in their own interests, or as proxies for others.

Whereas communities are most commonly identified as involved in conflict, identification of instigators is problematic. The press review counted as instigators those whom articles specifically mentioned in that role even if they were only identified as suspected or assumed to have instigated the activity. *Suara Merdeka* identified institutions as the most common instigators. Next were communities—appearing most regularly in the *Jawa Pos*. The small percentage of instigators identified may indicate the difficulty journalists encounter in finding out who they are, or it may reflect intimidation of journalists and corruption of coverage.

Solutions to conflict are rarely reported and most media record no satisfactory outcomes. Riau appears to have the smallest overall number of successful outcomes, with numerous conflicts throughout the province based on conflict between communities and pulp and paper companies. The new conflicts around PT TPL in North Sumatra appear likely to follow this trend.

Table 3.9. Solutions to Conflicts (%)

Forms of Solutions	Suara Merdeka	Jawa Pos	Kompas	Sumut Pos	Kaltim Pos	Riau Pos
Amicable negotiation	8,3	10,3	13,1	29	19,5	31,6
Material Compensation	5,8	7,6	12,1	7,5	16,7	2,6
No material Compensation	0	3,8	17,7	2,2	1,1	3,9
Court Hearing	53,3	13,6	16,7	16,1	17,2	6,6
Without Solution	31,7	50	29,8	35,5	32,2	61,8
Others	1,7	15,2	12,1	17,2	14,9	0

What press accounts do not reveal is how many legal settlements are based on consistent justice and how often the strong and influential simply use the courts to enforce their will.

3.2.1 Perceptions of the Press during Field Interviews

Interviewees consistently indicate that media underreport conflict and, where they do report it, leads are rarely followed up. Some journalists do try to keep good stories alive, e.g., the violence now surrounding reactivation of PT TPL, the pulp and paper mill in North Sumatra. Yet provincial-level sources there assert that some papers may be pro-industry and uninterested in reporting human rights abuses. A recent TPL case illustrates this point: only two new, populist papers covered the shooting of an elderly woman, while two pro-government papers ignored it.

In Papua, the chief of military groups in the province goes to a different publication every month for a “coffee morning.” NGOs say this practice intimidates journalists, dissuading them from publishing negative coverage of army activities.

Papua is different from other provinces discussed; all the rest enjoy freer speech. Yet speech can be bought. Sources regularly reported editors receiving gifts to suppress stories that would reflect ill on certain companies. Riau is particularly notorious for this—local governments provide benefits, including houses, for compliant journalists. Reports suggest that the *Mandiri* paper of Riau, in the past critical of the Indah Kiat paper mill, may have been bought by the mill holding company to modify editorial slants. In Java, confiscated teak has been used to bribe writers to provide favorable coverage or to suppress critical stories.

So-called “black” journalists operate in most provinces. They blackmail companies, demanding bribes and threatening bad press if not paid off. Major actors in timber (and other sectors), defame their competitors through press releases, often in the context of inter-elite struggles.

Finally, committed reporters covering gangster-type actors in timber take risks that can prove fatal. The case of journalist Abi Kusno [3] illustrates these risks. Opponents tried to assassinate him, causing him multiple injuries in the process, for reporting on illegal logging in Central Kalimantan conducted under the auspices of national assemblyman Abdul Rasyid.

Many interviewees state that the mass media, especially the press, should be used in “naming and shaming” campaigns as they judge this the most effective tool to address the issue of conflict and timber in whatever time Indonesia’s remaining forests have left.

3.2.2 Summary

The press review gives an overview of how conflicts are reported and perceived in local and national media. The papers underreport the number of incidents yet highlight the following important trends:

- Conflict happens in all types of forest.
- Conflicts are generally localized.
- Communities are the most likely groups to be involved in conflict yet may not always be the instigators.
- The press relies heavily on formal sources, government institutions and security forces for information in covering conflict. Communities and NGOs are rarely interviewed. This biases media coverage, emphasizing only one side of disputes and likely hides abuses by the very entities that often initiate conflict as well as being directly or indirectly involved.
- Coverage of conflict tends to focus on isolated incidents; little in depth investigation is conducted.

Thus press coverage should neither be seen as a reliably quantifiable indicator of conflict, nor as a source in-depth background and interpretation.

4.0 INTERVIEWS AND FIELD VISITS

Interviews were held with a variety of sources in Jakarta and six provinces. All were knowledgeable about either forests or conflict, and often both. Results from field visits are provided in the following appendices:

- Appendix 1 – East Kalimantan,
- Appendix 2 – Central Kalimantan,
- Appendix 3 – West Papua,
- Appendix 4 – North Sumatra (Porsea),
- Appendix 5 – Riau, and
- Appendix 6 – Java.

Sources unanimously concur on the following three causal factors and agents behind conflict:

- The law is a powerful tool that members of politically powerful elites use capriciously to advance their interests by subjugating those who challenge them and to gain financially.
- Gangster or mafia organizations (*Premanisme*) run many operations that lead to conflict over timber except in much of West Papua. Gangs generally operate locally for local benefit. They can include members of new or long-standing criminal groups in collusion (direct or indirect) with elements from government, business, police and security forces.
- Conflict surrounding timber is rooted principally in issues of land rights; outbreaks of conflict are strongly related to land use.

Numerous interviewees expressed frustration that whereas none of these causes is secret, government, security forces and donors act as though they were. Numerous workshops and public meetings aimed at stopping illegal logging and preventing conflict around it include participants and beneficiaries of the very practices such gatherings are purportedly convened to impede. Furthermore many interviewees suspect that political parties are increasingly seeking to generate revenues by influencing legal and illegal natural resource extraction, both for personal gain and to mobilize campaign funds ahead of the 2004 elections.

A vast amount of information exists about illegal logging and conflict in Indonesia, yet the two are rarely discussed together excepting occasional incidents that do catch attention in the press. Any discussion of conflict around timber in Indonesia cannot be separated from illegal logging, yet illegal logging is not the root cause of timber-related conflict. Both emerge as symptoms of Indonesia's current system of law and governance. The following discussion attempts to interpret findings through five themes that summarize field findings. These are:

- (1) Implementation and enforcement of law is subjective rather than objective.
- (2) Fragmentation of political power has led to fragmentation of natural resource management authority.
- (3) New, local, political powers are abused to the detriment of the environment and local communities heavily dependent on renewable resources such as forests.
- (4) Old frustrations now explode into conflict.
- (5) Formal security agencies are directly and indirectly involved in timber conflict.

4.1 Theme I – Implementation and Enforcement of Law is Subjective Rather than Objective

Despite national and international attention focused on illegal logging in Indonesia, questions of legality and illegality surrounding timber appear largely irrelevant on the ground. Almost all loggers, timber transporters and processors, except for small community operators, either have some sort of permit or have otherwise arranged from legally recognized institutions authorization and protection for their activities. All actors appear to believe they have the right to do what they do, where they do it, and that competitors do not. Those holding competing licenses to exploit the same piece of forested land can easily come into conflict. And, in the scramble to harvest forests while they last, indigenous inhabitants, who lack official authorizations and whose access and harvesting rights typically derive from indigenous (*adat*) traditional rights, are the ones left furthest behind. Yet these same indigenous groups have the strongest incentives to protect and maintain forests as the latter provide environmental services indispensable to the preservation of the local agricultural, livestock and fisheries production systems upon which they depend for survival. Instead of seeking to protect their resources, however, elites among these indigenous groups often join the competition for remaining timber.

Public consensus contends that too many laws and regulations, often contradictory, seek to regulate allocation and management of timber and other natural resources. The law fails to define legal and illegal logging, and to provide regulatory guidance and transparent enforcement. Many observers suggest that law and the application of legal tools is weak. An alternative analysis holds that law and application of legal tools are used subjectively. Objective implementation and enforcement could convert the law into an impartial rulebook or reliable guide for conduct by which society abides. In Indonesia, however, the strong use the law subjectively to subjugate opposition and obtain revenues. Laws can be applied with great force, and any particular regulation can be applied selectively to advance interests of those best placed to purchase its application.

In the area of forestry, selective use and non-use of the laws and regulations, and their use by the strong and influential are best demonstrated by example. Three are now provided that in turn demonstrate:

- Selective non-use of law to prosecute an influential person involved in illegal logging and violence,
- Subjective use to subjugate opponents, and
- Subjective use to extract revenue from competitors.

4.1.1 Subjective Law Case I – Selective Non-Application of Law at Central Government Level to Avoid Prosecuting Powerful Actors

The case highlights background and events leading to the beating and arrests of EIA and Indonesian NGO (Telapak) staff in Central Kalimantan, Tanjung Puting National Park [4] [5]. Like many national parks in Indonesia, Tanjung Puting has suffered enormous damage from illegal logging. Looting of this park was unusual, however, as it occurred under the direction of Abdul Rasyid, a member of the National Assembly (MPR). Rasyid was appointed to the assembly in 1999 as a representative for Central Kalimantan. In 2000, the Secretary General of the Ministry of Forestry asserted he had evidence showing that Rasyid's company, Tanjung Lingga, was buying illegal logs.

Two EIA and Telapak researchers investigating illegal logging in Tanjung Puting were abducted by Tanjung Lingga company staff, threatened with a gun and beaten. For the next three days they were held in a local police station for their safety, as the police station was surrounded by a mob allegedly

sponsored by the company. EIA/Telapak wrote that their staff members were released when their plight was internationally recognized and seen as out of control. No legal proceedings moved forward, even after then President Abdurrahman Wahid said that the parliamentarian's immunity from prosecution would be lifted. Following two years of inaction, a new attorney general obtained a waiver from immunity. The attorney general then died, reportedly of natural causes, and the judiciary appears to have forgotten the case.

A local reporter, however, did not forget it. After writing about the case he reported three attempts on his life. These assaults cost him the loss of four fingers, machete scars over his back and head, and an attack at the hands of a mob, all documented in the press with photographic evidence of his injuries [3, 6].

Telapak also brought to international attention the case of three Chinese cargo ships carrying in excess of 25,000 m³ of illegal timber. All three were released just weeks after the Indonesian Ministry of Forestry signed an agreement with the UK concerning trading in illegal timber [3, 7], following a five-month perceived "struggle for power between timber barons, the police, the Ministry of Forestry, the Indonesian Navy and the Chinese government." The ships were allowed to sail despite a log export ban that had been enacted in October 2001.

4.1.2 Subjective Law Case 2 – Selective Use of Law at District Level to Subjugate Opponents

The village of Tempudan lies on the northern coast of the Sangkulirang peninsula, the limestone massif that protrudes into the ocean from the middle of East Kalimantan. In August of 1998 an industrial plantation (HTI), owned by PT Sumalindo, was to be expanded by 4,500 ha from its existing size of 7,500 ha. Villagers disputed the expansion because it would intrude on land that is traditionally theirs. The company negotiated; the community asked for US \$170,000, and this request was not met. By 2001, 500 ha of the permit area (IPK) had been cleared. No agreement with communities had been reached on the remaining 4,000 ha. Communities organized demonstrations demanding US \$1,000,000 in compensation for the clearing of fruit orchards and graveyards. Traditional law groups from the district government of Berau mediated the dispute. The communities' demand for compensation was reported to have then dropped to US \$400,000, yet no agreement was reached. In 2002, *Wahana Lingkungan Hidup Indonesia* (WALHI - a NGO) was contacted for help in resolving the conflict. The communities' demand for compensation then went up to US \$1,600,000.

In March of 2002, the community, WALHI, local government and Sumalindo representatives met and reduced the financial demand to US \$350,000. This was still not fulfilled; Sumalindo claimed it could only pay US\$10,000 or a fee of US\$0.50 per ton for production and provision of social benefits such as education, house repair and construction. The village was divided among those prepared to accept this deal and those who would not. After an inconclusive follow-up meeting in November of 2002, community demonstrators blockaded the industrial plantation, stopping all activities there. Activities of nearby communities not involved in the conflict over the concession area were also disputed. In December, citizens who were not parties to the conflict yet participated in the blockade were denounced to the district chief (*Bupati*), deputy *Bupati*, local parliament and the police. In January, the police went to the conflict location and warned the populace not to get involved in illegal, anarchic actions.³

In January, the demonstrations involved upwards of fifty people, including women and children, young and old. One morning the police came, arrested 12, and took them by truck to detention in the district capital, Tanjung Redeb, some five hours away. Another 58 accompanied them in solidarity. Reports

³ Information supplied to a team member by a Berau NGO before commencement of this study.

indicate that locals were arrested on the grounds that they were disturbing the stability and security of both the population and the company.

On January 20, 2003, in a meeting facilitated by the police, the Tempudan village head, the village negotiating team (“Team 9”), some villagers and representatives from Sumalindo were brought together. The previous offer by Sumalindo was agreed to.

According to Sumalindo sources there was no intimidation at the meeting and the aspirations of the people were met. Villagers who participated in the same negotiations reported that they were threatened with legal actions concerning the trouble they had caused the company and other communities. In the police station where the meeting was held they were pressured into accepting the Sumalindo offer.

Whichever version one accepts of how the deal was reached, communities agreed to the PT Sumalindo final offer. The police then released the detainees and no charges were filed.

This case demonstrates the process by which a powerful economic entity can bring police pressure to bear on a population seeking to oppose its “development” plans and eventually compel a population to accept its terms, even though the terms offered may be quite unfavorable.

4.1.3 Subjective Law Case 3 – Selective Use of Law to Extract Revenue from Competitors

The head of forestry in the district of Sorong, West Papua, was recently arrested. During a roundup of middlemen involved in illegal logging and trading by Jakarta police, the head of the local forest office was arrested, charged with corruption and collusion (NGOs, report that this individual is notorious for his involvement with the illegal timber trade and ranks among the richest people in Papua). Following his arrest he was taken into custody in Jakarta, where reports suggest he started negotiations for his release. Before long he was transferred back to Sorong, and held in custody there. For what is thought to be a bribe of around US \$500,000 he was released and the case “lost.” The middlemen are still in custody and people assume they will remain there until they pay up. Who was paid off in this process is open to question. Observers assume a group including members of the judiciary, the police and local competitors in government benefited.

If events occurred as described, a series of judicial, police and political figures extracted a sizeable amount of money from the head of the local forest office. While the money probably came from the individual’s holdings, rather than the forest office budget, this case entails a free-for-all, or a tragedy of the commons. It reveals much about the nature of wealth accumulation in contemporary Indonesia, the extent to which no one’s assets are safe, and the way those who control application of laws can use that power to extract wealth from others.

4.2 Theme 2 – Fragmentation of Political Power Has Led to Fragmentation of Natural Resource Management Authority

An understanding of the root causes of conflict requires consideration of the new power structures that have arisen since decentralization in the districts (*kabupaten*), the administrative level of government below a province, and how they regulate their operations. The decentralization of authority in 2001 led Indonesia to shift rapidly from being one of the world’s more centralized states to one that some observers consider to be the most decentralized [8]. Decentralization of natural resource extraction rights sharply modified the way revenues were distributed. To a large extent decentralization has been driven by government officials of resource-rich provinces and districts [9]. The legal basis is contained within Law 22 on regional governance and Law 25 on fiscal balancing. These are supplemented by sector-specific

regulations such as Law 41, which revises the forestry law to reallocate authority over forest resources among governments at several levels.

Chaos has followed. Laws 22 and 25 have been used to full effect by district governments; local elites allocate natural resource extraction licenses to land parcels already allocated by central government. Laws and regulations forbidding such licenses are routinely ignored and cannot be effectively enforced because of new alliances at district levels. With respect to forestry, the sectoral (Forest) Law 41/1999 is routinely ignored.

Before decentralization, there was a widely understood system of patronage and corruption that started at the political center of the Suharto regime and flowed out from there. District governments were never strong and had little practical authority. Allegiances tied local actors to hierarchies leading up to Jakarta, the source of all critical decisions. With regard to forestry, before decentralization, the MOF licensed forest concessions to concessionaires for natural forest management or conversion. Local governments and communities had no say in the process. The MOF was represented in the provinces by the KANWIL offices. These staff handled local forest issues, backed to limited degrees by provincial and district *Dinas* offices that answer, respectively, to the governor and district chief. Since decentralization, the KANWIL offices have been disbanded and many staff transferred to *Dinas* offices. *Dinas* offices at the provincial level are weak, those at the district level are strong.

Rapid decentralization of authority to ill prepared local governments, gave rise to unclear roles for security forces, ambiguous interpretations of law and communities taking what they see as theirs. "Resource anarchy" prevails. The levels of lawlessness and crime show no sign of abating; they fuel the types and levels of violence and abuses reported throughout this report. Horizontally and vertically conflicting decisions by levels and branches of government are rampant, because when the government decentralized power it did not undertake a phased approach giving unambiguous instruction as to who had authority over what. Different ministries at the national level, and *Dinas* sectoral offices at provincial and district levels, issue overlapping licenses. Given business interests behind each unit of government providing licenses, and assumptions of corrupt practices behind each of those relationships, the scene is set for disputes between those laying claims to any single area of land. As will emerge in the descriptions of conflict and situations that may give rise to more confrontations by area below, some of these disputes are fought through proxies, particularly local communities. Exacerbating conflict even further are the claims of each level of government issuing a license that they have a legal right to do so.

Unless the situation stabilizes, negative long-term impacts can be expected. Economists project that Indonesia's economy will remain natural resource dependent for at least the next decade [10], yet unsustainable resource extraction and concomitant environmental degradation may undermine both the resource base and therefore the communities and societies that depend on them well before the end of that period.

4.2.1 New Alliances

The fragmentation of political power and concomitant fragmentation of natural resource management authority has led to new and localized alliances between district political elites, security forces and other relevant interests that need and seek mutually beneficial revenue generation streams. Different districts build different sorts of alliances, depending on local actors and conditions; alliances and allegiances are localized. They are dynamic and may last no longer than the time needed for a crucial vote, but can endure as well for the entire term in office of a *Bupati*. The powers involved in these alliances can and do change over time.

The effective level of these alliances is the district; provincial government is weak. Many district heads are reported to obtain office through vote buying. Knowledgeable observers estimate that the modal cost of winning the office of district head runs at least US \$100,000, and many times that in a resource-rich area. Yet no election, however well rigged, will go undisputed. Power depends on the capacity to retain it. To retain office, a district head must arrange favors for his supporters while obtaining bribes and the support of security forces. It is assumed that elements of all parts in local government are involved to some extent in these arrangements and earn revenue in exchange for their support of the current power structure. Revenue is easily mobilized by providing claimants licenses to extract timber and other resources.



Motivations for alliances vary. In West Kalimantan, the army (*Tentara Nasional Indonesia* [TNI]) allied with the Madurese in the urban centers where that ethnic group was numerous, yet worked with their opponents in rural areas where few Madurese reside. The motivation in both cases was to consolidate the army's power and profit from alliances with civil institutions. That thousands of Madurese perished in the ethnic conflict of the late 1990s seems to have counted for little in these calculations. Since the surge in numbers of political parties and their militias, as well as pro-independence and ethnic militias, more actors have sought and arranged alliances. In East Java, some locally powerful religious preachers, *Kiai*, and elements of the *Bansar* militia associated with the mass Islamic movement *Nahdlatul Ulama* (NU), have sided with landowners against local communities in disputes over land claims because they can extract money from the former. This alliance arose in a particular historical context. In the massacres of the 1960s subsequent to Suharto's rise to power, those same parties are suspected of carrying out many killings in Central and East

Java. Many landowners are believed to have instigated elimination of those claiming their land under the land-reform program of then President Sukarno.

In North Sumatra, the gangs of Medan are particularly notorious and are allied with many sectors of society in rent-seeking activities. In many areas elements of the police and army are assumed to enable and protect illicit revenue-generating activities through gangs and militias that serve government officials and enforcement agencies as proxies. NGOs, sometimes started up by government officials or their close allies, can play comparable roles.

Yet government officials are rarely reported as directly engaged in conflict. It is the effect of short-term revenue-seeking policies, both illegal and legal, that appear to prepare the groundwork for conflict to take place.

4.3 Theme 3 – New, Local, Political Powers are Abused

Decentralization reforms devolved power very rapidly to provincial and *kabupaten* governments, without allowing the time required for preparing and training the new power holders. On the one hand, in resource-rich areas local legislatures have interpreted laws to meet their own needs. On the other, even in resource-rich West Papua (which, like Aceh, is both resource rich and home to independence movements and rebel groups), where the government has attempted to set up special autonomy laws, provisions in the law call for greater attention to traditional claims of land ownership, yet do not apply retroactively [2].

The outcome for timber rich areas has been that:

- Timber concessions and other industries exploiting land licensed to them by central government find that local governments and communities alike contest the legitimacy of their operations. Many have gone out of business.
- Provincial and *kabupaten* governments, usually in collusion with their own “investors,” issue licenses not recognized as legitimate by central government for resource extraction on land central government officials have already granted to others.
- Different branches of different levels of government do not coordinate their licensing operations and issue of extractive licenses and instead act independently; thus a single piece of land may be the object of several timber and other extraction permits, including mining. These competing claims engender conflict among resource extractors, all of who may believe themselves to be acting in full compliance with legal regulations.
- Extractive permits are taken out in the name of communities, but those communities derive few benefits from the process.
- Communities, observing rampant and wholly unsustainable extraction of resources in their areas, join in the fray and get what they can while they can.
- Conflicts of different duration and scales erupt vertically and horizontally among parties.

The issuance of permits by the various branches of government is leading to the fastest environmental degradation that islands like Borneo and Sumatra have ever witnessed [11]. As quoted in the Indonesian press:

The wholesale handing out of small-scale HPH licenses by regents in Kalimantan is a matter of concern not only for environmental NGOs. Existing HPH concession holders are also concerned but for a different reason. While the NGOs are worried about the worsening destruction of forests, the concession holders are upset because they feel the forest areas licensed to them have all but been “embezzled” by regents. Amidst the euphoria that surrounds regional autonomy, it seems that several regents couldn’t care less whether the small-scale HPH licenses that they issue are for valid forest areas or not. As a result, many licenses have been issued that overlap already existing HPH concession areas.[12]

4.3.1 Local Government Actors and Roles

Actions of government actors can engender disputes between communities, on the one hand, and a diversity of concessions, plantations and mines on the other, particularly in East and Central Kalimantan. Simultaneously, those same actors share in the revenues generated through resource extraction. It is important to reflect both on who those actors are and the power they yield in disputes and conflicts.

Political positions in local governments often constitute positions of power to dominate allocation of natural resources and thus enrich their supporting groups. Contestants seek these offices, by purchasing votes when necessary. In Kalimantan, different ethnic groups put up representatives who run for office, reflecting fierce competition for means to favor ethnic bases and associated business interests. Reports suggest that in the northern districts of East Kalimantan, indigenous groups in local government generally occupied offices that gave them strategic control over natural resource management. This infuriated co-resident migrant groups who then engaged in competition for those positions using relatively massive expenditures to win posts. Winning candidates repaid their creditors’ “investments” in the form of natural

resource extraction rights. Indigenous groups now consider that migrant groups are stealing East Kalimantan's riches for their own benefit. This leads to tensions that local governments have failed to anticipate. There is no information available on what happens to the losers in these political campaigns, yet they must accrue debts that have to be repaid. If they cannot mobilize funds through abuse of political power perhaps they join the ranks of illegal loggers?

District Heads (Bupati)

District heads are elected by local parliaments (DPRD) and reports suggest most pay significant amounts of money to ensure their selection. Payback of the funds used to purchase these desirable posts can take the form of issuing resource extraction permits to those who finance campaigns; favors are awarded through the same mechanism. In settling social disputes there are opportunities to extract bribes from litigants, or take "payment" in the form of political favors; rarely do settlements appear to reflect the specific rights of the people involved.

Local Parliamentarians (DPRD representatives)

Local parliamentarians can wield significant political influence in ongoing disputes. For example, in the Malinau district of East Kalimantan a local parliamentarian obtained a mining permit in an area nominally belonging to a village and then attempted to relocate the village. Local parliamentarians often wield sufficient political power to pressure local administrations to release traditional rights (*adat*) forests for exploitation regardless of prevailing mechanisms and procedures.

Subdistrict Head (Camat)

Subdistrict heads have administrative and correspondence roles and take no part in decision making during negotiation with companies in dispute situations; however, they can mediate. Their roles may become problematic as exemplified in Porsea, North Sumatra, in the ongoing PT TPL pulp and paper mill conflict; suspicion among community members about the subdistrict head's role in mediation led to rioting followed by imprisonment of 16 community members.

Subdistrict Elite (religious leaders, school headmasters, teachers, youth groups and other dominant elements of subdistrict)

These actors usually dominate negotiation of agreements within communities and maintain communications with companies in disputes. The subdistrict elite's grassroots information base is usually far superior to that of any other party, including companies. Yet some may be informers while others are negotiators; thus local elites can play the role of provocateurs as well as mediators.

Traditional Law (Adat) Heads and Institutions

Their influence depends on the strength or weakness of other subdistrict leaders, including subdistrict heads, religious leaders and members of the subdistrict elite. In cases concerning traditional forest claims, the *adat* head may determine the number and types of claims to be made. He acts as a negotiator with companies. In other cases s/he may be a resource person in a negotiation. The head plays a critical role in mass mobilizations that demonstrate or impose traditional fines. Before decentralization in comparison to village heads *adat* heads did not wield significant political power. That has changed significantly; traditional law heads may now be as powerful, or more powerful, than village heads.

Mass Organizations

In East Kalimantan, mass organizations and other nongovernmental institutions play major, though often invisible, roles in vertical disputes. Their political power and influence in disputes with the private sector can be huge and often involves thuggery. Some work on behalf of political or business interests. This appears particularly important in West Papua where the line between militias and mass organizations is blurred.

A mass organization may wield greater authority than a district head. In East Kalimantan (as probably elsewhere) the mass organization *Pemuda Pancasila* is reported to be very influential in most ongoing disputes. Its motive is said to be its own timber businesses. There is no precise information concerning how it functions; many suggest the organization operates like a mafia that can easily infiltrate, influence or intimidate regional government, corporations, and security apparatuses.

Local Government (Pemda)

A common complaint from and about local government is that it has new responsibilities and authorities, yet possesses few qualified human resources; employees have little training and low salaries. Corruption and patronage are rife. Those who do want to do a good job are generally hamstrung by a lack of resources and support.

Opinions about the role of local government officials in conflicts vary within and among districts and provinces. Communities often feel that local government units (LGUs) should facilitate community interests and mediate disputes. Companies expect LGUs to facilitate solutions to conflict based on prevailing law. Yet both communities and companies note that local government officials often manipulate disputes to extort revenue and disguise corrupt practices.

In East Kalimantan, NGOs have noted that most provincial and district governments are trapped in natural resources disputes resulting from malpractice instigated by their own officials. When they do attempt to mediate in good faith, they often fail for lack of conflict resolution mechanisms and skills. Again in East Kalimantan, whereas many conflicts share common characteristics, no regional officials have been sent for training or courses to improve facilitation and negotiation skills.

4.4 Theme 4 – Old Frustrations with a Potential for Conflict are Now Expressed

Current conflicts over timber are rooted in kleptocratic allocation of resource rights during the colonial and Suharto eras that ignored both indigenous rights of communities and district governments, preferring to keep them weak and disempowered. The extraction and land conversion rights allocated to large industrial users of forest lands gave rise to significant resentment within communities. Because those concerns obtained their permits from a now drastically weakened central government, newly empowered district governments frequently challenge or ignore these authorizations and issue their own. Yet it is the communities, still politically disempowered, who are taking on companies directly throughout the archipelago. In numerous natural forest timber concessions, new plantation estates for pulp and paper, and old plantations for teak (as well as oil palm, not dealt with here) conflicts with communities are common. Local direct action involving blockades, sabotage of equipment, and arson in plantations has forced many businesses to close as such conflicts make it impossible to operate at a profit. The following discussion explains how industry structures vary, as do the patterns of conflict around them.

4.4.1 Industry

Plantations – Pulp and Paper

Indonesia is among the world's top ten producers of pulp. Industrial capacity has grown from 606,000 to 4.9 million tons since the 1980s [13]. The *Sinar Mas/Asia Pulp and Paper (SMG)* group is the largest pulp and paper player in Indonesia; it owns the huge Indah Kiat mill in Riau and Lontar Papyrus in Jambi. The group is more than US \$13.5 billion in debt. The *Raja Garuda Mas/APRIL (RAPP)* group operates its APRIL mill near Indah Kiat, and another, PT TPL, has recently reopened in North Sumatra in Porsea. The industry has vast overcapacity. It has taken land to grow plantations and is simultaneously responsible for widespread clearance of natural forest to provide fiber to its mills. The ecological damage wrought on the environment has led to Western market boycotts of both groups, but on the ground it is the human rights abuses committed by both these enterprises that have fuelled the most serious resentment and conflict.

The most dramatic illustration of these patterns of timber-related conflict was the shutting of TPL, then called Indorayon, by community mass action in 1999 [14]. For years, communities near the mill complained of seizure of traditional land for tree plantations [15], and air pollution occasioning poor health, death of livestock, reduced agricultural output and noxious fumes. In 1998, community-organized blockades prevented trucks from entering the mill and shut down production for four months. In 1999, violent clashes broke out between communities and security forces. Some 12 community residents were killed and hundreds injured. In March of 1999, management closed the mill. It reopened as TPL in 2003 and clashes have begun all over again. Security forces are enforcing a low-level reign of terror with police intelligence officers suspected of organizing kidnappings and beatings. Police and *Brigade Mobil (BRIMOB)* behave in a generally threatening manner and damage or destroy residents' belongings to intimidate them. There is potential for horizontal conflict between community residents opposed to the mill opening on the one hand and, on the other, those who derive employment and other benefits from it. The conflict pits the communities and their supporters in religious and NGO institutions against the various police forces backing the company. The conflict is localized around the mill.

SMG- and RAPP-related conflicts arise largely because of traditionally owned lands given to the companies by the government for plantation development. Local people claim about 10% of the 400,000 ha thought to be controlled by SMG. They occasionally burn *Acacia* plantations to reclaim areas for their own agriculture and oil palm plantations. The company divides claimants into those it considers indigenous, whom it sees as posing a social problem; the rest SMG considers criminals against whom company policy calls for hardball tactics where appropriate. Company militias have attacked communities to claim land allocated to SMG for plantation development, remove squatters and break blockades. Although reported in patchy and incomplete numbers, interviews and secondary sources nonetheless reveal a repetitive pattern of conflict. The protagonists are companies controlling large plantations allocated by central government throughout the province against the communities who have traditional claims grounded in indigenous legal systems. The companies subcontract government security forces and, as necessary, hire additional enforcers directly to enforce their own interpretation of property rights against indigenous land claimants.

This observation should not be interpreted to imply that all security forces side with companies. Sources report that certain military officials have threatened to blow up the log barges of at least one company if it refuses to buy timber from certain third party suppliers (presumably allied with those officers).

Whereas the TPL mill is mired in ongoing, serious conflict and human rights abuses, its sister APRIL mill has been trying to improve its image by working with communities and NGOs. Although APRIL is generally seen as moving in the right direction, land conflicts continue. A recent attack appears to have been mounted to stop APRIL trying to reduce the use of illegal logs by advocates of "business as usual"

within the local government. When APRIL security was making preparations to implement a system that would curtail the entry of illegal logs into the mill, a security post was attacked by a mob of 30 to 50 individuals who summarily lynched two security guards and hospitalized others [16]. A local parliamentarian blamed the incident on the local office of the World Wildlife Fund (WWF), which was working with the company to improve its practices. The WWF office had to be closed and placed under police protection. Sources indicate that the mob leader was both an illegal logger and also the brother of the aforementioned politician.

Sources in RAPP have reported clashes between illegal loggers in the company's concessions. The aftermath of one incident was witnessed by a senior concession staffer and his driver. A fight between two gangs had led to the capture of two individuals. They were immolated, decapitated and members of the victorious gang placed the heads of their victims on sticks by the road as a warning to others. This type of conflict appears unusual, however: elsewhere in Indonesia gangs often achieve peaceful division of territories.

Plantations – Teak

The long established teak plantations of Java are run by a parastatal company, PT Perhutani. Java teak plantations have land tenure problems extending back over a century. Illegal logging and low-level violence have always existed, yet the levels of both have risen dramatically in the post-decentralization era according to local journalists and PT Perhutani staff.

As noted in a recent study by Colchester *et al.* on the troubled relationships between Perhutani concessions and traditional land claims [17]:

- Perhutani has legally established use rights but no equivalent security is provided to communities.
- Major unresolved conflicts over tenure and use rights exist and no appropriate mechanisms are in place to resolve these disputes.
- Communities feel threatened and feel company operations limit their rights and access to resources.
- Security forces have engaged in serious human rights violations including extra-judicial killings.

Like much illegal logging across Indonesia, the parties responsible are usually gangs or syndicates. Their activities in teak plantations illustrate well their role elsewhere in the country, whether raiding national parks, forest timber concessions or traditionally claimed lands.

Gangs have long been associated with the teak trade, but were largely checked or controlled by the army during the Suharto era. They tend to be centralized around certain villages. Members are not afraid of ostentatious displays of wealth, even though other members of the community know that wealth was acquired illegally. Large gangs rarely appear to be involved in violence; they are organized and among themselves they divide territory and “exploitation rights.” Perhutani usually cannot confront gangs because of their numbers and strength, and also because of the influence of gang backers, whether in government or the security forces.

Until recently in Java, security forces rarely challenged the teak gangs. Yet since the President Megawati Administration has appeared friendlier to the military, they have begun arresting gang members and the gangs have weakened significantly in consequence. However, local observers suggest that this may amount merely to a “change in management” of illegal logging, with security force units replacing gangs as the major operatives, rather than a real attempt to end illegal logging.

Conflict around teak erupts in short bursts. Either a mob threatens police, or police catch a small band of illegal loggers and violence breaks out. Such confrontations can end with shooting and deaths, but injuries from beatings and sharp weapons are more usual. Mobs may take revenge by burning company property or houses. In retaliation for the arrest of illegal loggers, police property or housing may be torched. There are reports of Perhutani company staff being kidnapped and held until gang colleagues are released.

Natural Forest Concessions (HPH)

Many NGOs and donors are calling for reform of the HPH system, which is somewhat ironic as it is on the point of collapse, largely because of conflict, debt and overlogging. Conflicts over HPH arise because these central government-licensed areas were carved out of community lands without regard to land rights of members of those communities. These communities, and others claiming to act in their name, see themselves reclaiming through conflict what they perceive to be theirs.

Whereas attacks on HPH resemble those directed at pulp plantations, responses are much more muted for two reasons. The first is that HPH simply cannot muster the manpower and political clout of a large pulp conglomerate. The pulp conglomerates have their mills as central facilities, cost billions of dollars (whether paid for or not) and link with a series of pulp plantations and third party timber suppliers in relatively close proximity (it makes no economic sense to transport timber long distances). Thus the conglomerate controls a large infrastructure, can mobilize large numbers of its own people, and can also play a powerful role in local as well as national politics. A HPH is a single operational unit, even if it belongs to a larger conglomerate, and simply does not have the resources to organize and fund long-term, large-scale actions directed against its opponents. The second reason is more speculative and concerns motivation. Although the pulp industry is in debt, it sits on huge capital investments and controls vast financial flows. By contrast, HPH are winding down as timber resources dry up. Many HPH owners have already made their money (even if their parent companies are indebted). They realize that their concessions are being devoured by “illegal logging” and their own past practices. They experience difficulty keeping up with vehicle maintenance and repair, and they cannot afford new and random local government taxes. HPH thus make poor investments.

Conflicts are numerous and usually localized. Local communities, acting on their own or as proxies for illegal logging gangs, make claims against a company. If the company chooses not to honor those claims, community members may take heavy equipment “hostage” for ransom, organize mobs that loot and burn camps and organize beatings and brawls. This is a familiar pattern in several Indonesian national parks. In the Suharto era, there was little park staff could do. The GOI provided neither protection nor a source of funds to engage security forces. HPH, on the other hand, could often arrange for security force protection; especially if senior military officials had board seats or share interests in the company. The effects of decentralization, a general lack of financial and tenure security and the sunset nature of the industry, have all sapped HPH companies’ will to resist the gradual elimination of these companies.

Nonetheless conflict around HPH will likely continue while there is still money to be made. There are positive signs coming from those seeking certification of their timber or otherwise entering processes to deal fairly with local communities and government. These initiatives point to a possible new model of mutually productive collaboration between companies and communities around forest and land exploitation.

4.4.2 Communities

Decentralization has allowed the emergence of *masyarakat adat*—people governed by custom movement [17], which is demanding greater self-governance. Whereas community rights have not received significant legislative attention, communities have been emboldened enough to make claims against those

whom they feel have expropriated their lands. When their claims are not met, direct action is becoming an ever more commonly adopted strategy.

Whereas recognition of customary law has revived across many sectors of society, its resurgence has occurred at a time when nationally provided law and order have eroded along with the associated benefits of stability, predictability, clear and transparent allocation of rights and resources. The expression of local rights is unregulated. As a result, and just like branches of district government issuing new resource extraction permits, with each license-holding entity assuming that its claim ultimately has the greatest legal validity, many communities feel that their rights and claims are also fundamentally legitimate. But all these claims overlap. And without effective judicial, governance and law enforcement institutions in place that are capable of providing dispute resolution and conflict management services, conflicts erupt.

Communal violence in Indonesia peaked in 1999–2000. The highest intensity conflict areas were Maluku (communal), Aceh (separatist) and Central Kalimantan (communal). Medium intensity conflict areas were Central Sulawesi (communal), Papua (separatist), Kalimantan, Riau, East Nusatenggara and West Nusatenggara (all communal). Other provinces have been classified as low intensity conflict areas [18].

As elsewhere, many incidents of communal violence have long histories and have only recently been expressed in open conflict. From the cases discussed in the appendices, the following types of communal conflict have emerged around timber:

- *Indigenous vs. Indigenous (within a community)* erupts when benefits from village resources are not shared equally; such conflicts are documented in Kalimantan and assumed to occur elsewhere.
- *Indigenous vs. Indigenous (among communities)* is documented in Kalimantan among different ethnic groups of Dayaks. Given strategic competition among groups to obtain greater natural resource spoils by dominating legislatures, this can be expected to increase.
- *Indigenous vs. Established Migrants* appears ubiquitous. Established migrants almost entirely control timber operations in Papua. Much of the trade is run by groups other than Dayak in Kalimantan. Some interviewees have expressed concern that as resources diminish in East and Central Kalimantan, ethnic conflict will break out again in Central Kalimantan and will be replicated in East Kalimantan with the Bugis involuntarily assigned the role (targets of communal violence) formerly played by the Madurese.
- *Indigenous vs. New Migrants* is particularly evident in Riau where refugees have been arriving from Aceh and trying to make a living from timber exploitation; in addition, North Sumatrans are trying to convert forest lands to oil palm plantations and have faced local opposition.

West Papua

In other provinces studied, illegal logging appears to have developed micro-bubble economies where most of those present in the area benefit to some degree from illicit revenue streams. In Papua there is little revenue retention. Racism is felt to play a strong role in this dynamic. The outcome is sporadic violence, widespread low-level terror and enormous resentment. Many interviewees feel widespread violence will explode at some point unless there is a dramatic change in migrants' attitudes toward Papuans. The chances for that seem thin.

Elsewhere in Indonesia, it has been argued that the spread of illegal logging results from a dynamic system that evolves, as does the reality of decentralization in the context of local cultures [19]. "Illegal logging"—and therefore the violence around it—is a function of current political chaos. Yet if and when systems stabilize and local governments work toward a long-term vision, then resource management (of

whatever is left) may also stabilize. The hope would be that, given experience from other countries, there will be sustainable and equitable use of resources as qualified decision makers manage and monitor assets in their locale with true community participation in decision-making processes under direct accountability to electorates [10].

Natural resources are the dominant factor in the Papuan economy and the army arguably the only effective administration. Local parliamentarians have expressed the opinion in OTI/Indonesia workshops that district and provincial governments in Papua are powerless. Unlike other provinces, as noted, there are few alliances between new, local political elites and security forces. Security forces hold power; and antipathy to the army results. Papua has perhaps the only true state–societal conflict in Indonesia. Again, racism plays a powerful role with the indigenous aboriginal communities viewed by newcomers, government and security forces alike as primitive, backward people.

4.5 Theme 5 – Formal Security Agencies are Directly and Indirectly Involved in Timber Conflict

Expert observers note that the military territorial command structure facilitates illicit revenue seeking. The underlying cause of the military’s role in illicit business and alliances with the “illegal” timber trade, among others, lies in the military purportedly having to raise fully 70% of its revenue from non-formal, extra-budgetary sources. Local commanders extract revenue by becoming shareholders in companies in their alliance area. Their subordinates join other soldiers in raising revenue from *ad hoc* tolls levied on transport, illegal logging and other black economy sources. If senior commanders do not receive revenue they can resort to illegal logging and exploit their involvement through the state’s role in localized incidents of state/societal conflict. Upper ranks of the army excuse behavior of predatory junior officers and soldiers. They empathize with the lower ranks’ lack of wages and understand that the latter have been ordered to raise 70% of their operating budget through politico-military entrepreneurship.

ICG [20] notes that in Aceh and elsewhere, whereas the military gains access to business opportunities for individuals and military business networks, public information about such opportunities is “*naturally not available*” to the broader set of interested individuals and business entities. In the natural resource area, illicit business is not limited to illegal logging, but extends to marijuana trading and extortion of rents from traffic at *ad hoc* roadblocks, with those barriers often justified by the assertion that security forces are searching for rebels. Profits from illegal resource extraction are “a key part of the budgets of the military, the police and some local governments” [21]. Even President Megawati has recently warned the police to refrain from such behavior [22].

BRIMOB, the paramilitary arm of the police, has become an important player and has taken over from the army in maintaining order in various places. The explanation for this shift in authority is that during the Suharto era, army commands had a stable presence in a given area. Since the fall of Suharto, societal conflict has broken out. Army units have been transferred to conflict zones from stable areas like East Kalimantan and Java. In 1999, troops moved away from West Kalimantan and Aceh. The West Kalimantan removal may have played a significant role in unleashing the explosion in violence between the Madurese and other ethnic groups. In Aceh, by contrast, civil strife appeared more contained and amenable to management by police units. BRIMOB forces are often perceived as more brutal and less disciplined than the army units they replaced.

A recent development has been the speculated use of militias working for security forces, especially in Papua [2]. This is now thought to extend to the state intelligence agency, *Badan Intelijen Negara* (BIN). BIN is suspected of playing a major role in the potential breakup of Papua into three provinces, a consequence of which is likely to be increased stripping of natural resources for the benefit of select elites [23].

Anywhere that timber trade exists, law enforcement agencies and security forces are involved in both upholding the law and breaking it. It is disturbing that even when the law is apparently being upheld, it is often also manipulated to achieve nefarious ends—the “hidden agendas” of powerful elites.

In efforts to uphold the law, the regular forest police patrol forest estates. In many places they risk retribution for doing their jobs. As one forest policeman interviewed in Java noted, most of his colleagues had been beaten or stabbed at some point. Armed conflicts between forest police and illegal loggers in Java result in injury and death, as well as mob attacks on police houses and stations. Yet while on patrol, police will also accept bribes to turn a blind eye to illegal activity, or to release captives.

Large sawmills, pulp and paper plants and timber company field offices regularly pay police, BRIMOB or army units for protection. This protection is partly to fend off attacks by thieves and looters, yet also to control company staff. For example, in one sawmill in East Kalimantan, an industrialist stated that soldiers are stationed at his sawmill to ensure that if workers strike, expensive equipment will be protected.

Java teak estates are reported to pay BRIMOB to conduct operations to control illegal loggers. The sums involved are generally unknown, yet in Purwakurto a conversation with police and NGOs disclosed the figure of US \$40,000 per operation in Central Java. The length of security operations and their scope was not disclosed. There is speculation that the motivation behind such operations is recovery of illegally felled wood, which is then sold on the black market or used to buy patronage with local politicians, journalists and corrupt company staff.

In North Sumatra, there is a conflict between a pulp and paper mill, TPL, and the community in the neighboring area of Porsea. Community action, largely organized by local churches, shut the mill down in 1999 by successfully blockading the access road. The mill restarted limited production in March 2003. Mass protests started in anticipation of new operations in late 2002 and still continue. Police actions led to more than 16 arrests and caused more than 500 residents to flee in November 2002 [24]. In March, during the team interview period, an elderly lady was shot by BRIMOB for taking part in a protest [25]. During interviews, the team learned that anyone with whom conflict timber team members talked would subsequently be interviewed by security forces. Temporary abductions occur with some regularity. Victims are sometimes badly beaten, then “located” by pastors after a day or so in police stations. There is strong suspicion that law enforcement agencies are protecting the PT TPL mill by using terror tactics.

Forest-Base Enterprises and Enforcement Measures

At a local level, the military and police also routinely acted as private enforcers for companies, both in quashing protests and hiring themselves out to companies for “land acquisition” from local communities.

In Riau, timber, oil and gas companies are reported to be paying protection money to the military [26]. BRIMOB has often acted violently to quell local protests against pulp and paper companies. As noted by Human Rights Watch:

In October 1997, police attacked demonstrators from the village of Delik, who were protesting land seizures for the construction of Riau’s second massive pulp and paper mill, Riau Andalan Pulp & Paper. Police fired on demonstrators who were blocking the construction of a road, wounding two and arresting one of the community organizers, the outspoken journalist Marganti Malanoe. ...Malanoe was sentenced to three years in prison for provocation and sabotage. Another example from Riau is the oil palm concession PT Tor Ganda in Rokanhulu district, which in 1996 cleared over

10,000 hectares of forest and local rubber gardens, reportedly without any permits. Press accounts and community activists reported that in 1999, when local people from the villages of Mahato and Dalo-Dalo protested the loss of their land, they were attacked by thugs and local police, who burned down 100 houses in three villages and fired on protestors, killing one and injuring thirty. [27]

In Papua, where military forces appear to use the excuse of border security and containment of separatists to block off areas of land and extract timber themselves or through proxies, low-level terror and widespread intimidation are used to control indigenous peoples. Police and security force involvement in illegal wildlife trading [28] makes it impossible to curb, much less stop, that trade.

As with all trends indicated in this report, the involvement of the security forces in such activities is well documented (see [29] and references therein). In all provinces visited, as elsewhere in Indonesia it would appear, there is little, if any, confidence in law enforcement or security agencies and a broad skepticism about their role in upholding the law. As noted by a senior Navy intelligence officer [30], there are strong perceptions that the army acts as a mercenary group.

4.6 Corruption in Indonesian Finance and Banking Arrangements: Another Incentive for Activities Engendering Conflict

4.6.1 Introduction

The domestic consumption of timber by Indonesian pulp manufacturers, nearly four times the annual legal timber supply, provides groups linked to the extraction and trafficking of conflict timber with a lucrative market for their services. [31] The immense profits from timber in general are partly responsible for the ongoing conflict between the national police and Indonesian military (TNI) in rural areas throughout the country. The two services routinely compete for control over illicit assets, and the number of violent incidents between the groups is growing.⁴ The need for TNI to obtain 70% of its funds from off-budget sources requires armed forces personnel to participate in a number of illegal activities, including participation in a significant number of conflict timber schemes, especially in Aceh province.⁵ A growing concern among domestic and international law enforcement agencies is the nexus between domestic security forces and organized criminal groups involved in the conflict timber trade. Both groups routinely take advantage of a loosely regulated Indonesian banking sector, links to regional offshore zones, and a largely unregulated alternative remittance system.

4.6.2 Factors Facilitating Illicit Finance Linked to Conflict Timber Groups

Traditional Banking Institutions

The formal banking sector fails to provide deterrence for laundering profits linked to conflict timber. Due to significant legislative deficiencies in the Indonesian anti-money laundering regime, banking institutions with access to Western financial institutions through correspondent banking activities remain loosely regulated. [32] Especially troubling is the lack of legislation that mandates reasonable measures to obtain information about the true identity of the persons on whose behalf an account is opened or a transaction conducted. Additionally, financial institutions are not required to scrutinize complex, unusual, large

⁴ In most instances, armed forces and police are also involved in prostitution, the trafficking of narcotics and the provision of protection services to oil and gas companies.

⁵ The military's yearly budget stands at US \$1.06 billion, less than one-fourth of the \$4.4 billion military budget of Singapore, a city-state of four million people compared with Indonesia's 220 million population. The Indonesian military's budget also compares badly with such smaller nations as Thailand (\$2 billion), the Philippines (\$1.3 billion), and Malaysia (\$1.6 billion).

transactions, and lack internal programs that mandate adequate anti-money laundering procedures and controls. Indonesia also houses a substantial number of private banks that are in practice unregulated and not open to the public, which provide further opportunities for money laundering, especially through electronic banking services.

Non-Banking Institutions

Indonesia fails to require money remitters to include accurate and meaningful originator information, including name, address and account number on fund transfers, and there is no licensing or registration regime in place for money remitters. Moreover, *bureaux de change*, money remittance services, stockbrokers, and insurance companies are not required by law to conduct enhanced scrutiny of funds for suspicious activity when incomplete information on the originator is presented for a transaction. These services neither identify the customer nor, with regard to this information, identify the true identity of the person on whose behalf a transaction is conducted. Non-banking institutions also fail to adhere to international norms for maintaining years of records on financial transactions.

Alternative Remittance Systems

The use of underground banking, or alternative remittance systems, such as *hawalas*, is widespread throughout Indonesia. Underground banking institutions serve a network of businesses—import-export companies, money exchangers and finance companies. Funds from the trade in conflict timber are introduced through front companies that use representative accounts to introduce illicit profits into licit financial institutions to launder the criminal proceeds. Those who use underground banking institutions transfer the funds to Indonesian banks. In many instances, the funds are sent to regional offshore zones.

Hawala Institutions: The Basic Arrangement

In its simplest form, a *hawala* system consists of two persons in distant locations communicating by phone, fax, or email. No money is exchanged between the brokers themselves, only between the brokers and the customers, and the broker does not maintain records of the transaction. The anonymity and secrecy of the remittance transactions facilitates the transfer of illicit funds linked to a variety of criminal activities.

Sharia (Islamic) Banking

A growing concern is the growth in Sharia (Islamic) banking, which is expanding in Indonesia, by 40 to 50% annually. As of early 2002, there were two full Sharia banks and four Sharia business units with an office network of 49 branches, 11 sub-branches and 37 cash offices. In addition, there are 81 Sharia BPRs (rural credit banks). [33] The oversight of these institutions is casual. In recent years, Indonesian Sharia banks have established close links with similar institutions in Malaysia, a state that is intent on establishing itself as a “center for Islamic banking and financial services.” In 2000, Bank Negara, the Central Bank of Indonesia, issued a document stating that the long-term objective was “to create an Islamic banking system operating on a parallel basis within the conventional banking system.” [34] This is especially troubling given the extent to which Islamic banking institutions routinely establish offshore entities to attract funds from numerous illicit activities, including the conflict timber trade.

Front Companies

The Indonesian military controls significant parcels of land, including more than a million hectares of forest concessions in Kalimantan province. The timber operations in these areas are not audited, and significant profits are raised through routine smuggling and tax fraud practices. In some instances, military officers preside over front companies that are used to launder profits linked to the conflict timber trade. [34] Indeed, sorting out the origin of money is probably more difficult than ever after the Asian

financial crisis. Because of this crisis and the resulting dislocation in the Indonesian economy, there is a real possibility that considerable amounts of dirty money from conflict timber schemes were invested in legitimate businesses.

Bulk Cash Smuggling

Indonesia has not implemented feasible measures to detect or monitor the physical cross-border transportation of cash. As with other countries where there are porous borders, smuggling bulk cash is an important component of money laundering schemes. Indonesia's borders with Malaysia are particularly vulnerable given the large number of traffickers. Typically, cross-border businessmen try to avoid the delays and costs of the banking system, preferring to settle accounts with cash payments. With seven border checkpoints and two international airports that are poorly policed, Indonesia offers enormous opportunities for bulk cash smuggling.

Aceh Autonomous Province

A series of autonomy laws, adopted in 2001, permits government officials to establish a general fund through revenues raised on natural resources, including timber. The number of conflict timber schemes in Aceh has garnered international attention, and local military units are routinely linked to the shipment of timber through the duty-free port of Sabang. The extraction of conflict timber is expected to increase with the construction of a roadway, called the Ladia Galaska, through neighboring forests. Illicit profits from conflict timber schemes are laundered through poorly regulated provincial financial institutions to major banks in Jakarta, or neighboring offshore zones. [35] Corrupt customs officials rarely question the long-standing practice of underinvoicing and forged clearance certificates.

Links to Malaysian Firms and Financial Institutions

Monitoring conflict timber in Indonesia is significantly hampered by the smuggling of wood products into Malaysia, the largest exporter of tropical timber in the world. High-ranking Malaysian officials have proclaimed their desire to safeguard and rebuild Indonesian forests, and introduced legislation to reduce the trafficking of timber. The current penalty imposed is a jail term between one to 20 years and a maximum fine of up to RM 500,000. Nevertheless, illegal logging in Malaysia remains rampant. [36] In an attempt to quell pressure from the international community, in late June of 2002, the Malaysian Minister of Primary Industries, Lim Keng Yaik, announced a ban on all logs from Indonesia. [37] The ban, however, has not slowed illegal logging traffic between the two countries. Moreover, Indonesian military and police units and corrupt politicians routinely ship forest products across the border to criminal gangs in Malaysia. [38] Like Indonesia, Malaysia offers a wide range of services through unregulated banking, non-banking and alternative remittance systems. Profits from the conflict timber trade routinely flow unimpeded through Malaysian financial institutions.

The Labuan Off-Shore Sector

The potential for money-laundering activities at the offshore banking facility in Labuan is a major concern, as there is no requirement for the beneficial owners of international business companies (IBCs) to be identified. Labuan hosts 54 offshore banks (46 foreign owned), approximately 100 insurance companies, four mutual funds, 12 fund managers, and 18 active trust companies. [39] The Labuan offshore sector violates international money-laundering norms with the acceptance of nominee trustees, and the acceptance of beneficial owner of a corporation. The Labuan offshore banking institutions lack stringent regulatory regimes, and provide clients with anonymous accounts for placement of assets. Especially troubling are the Labuan institutions, such as insurance agencies and security brokers, which lack even the most rudimentary oversight mechanisms. Throughout the 1990s, the Labuan offshore sector

was a safe haven for the deposit of assets from conflict timber schemes, and a desirable location for individuals determined to evade home-country tax regimes.

Legislative and Regulatory Deficiencies

The illicit profits raised through conflict timber are laundered with ease, because of significant legislative and bureaucratic deficiencies in the Indonesian anti-money laundering regime. The banking and non-banking sector is particularly vulnerable to money laundering because of its strategic geographic location, strict bank secrecy laws, and high rates of corruption. The Bank of Indonesia mandates customer identification and record keeping measures that would help counter money laundering, but the regulation does not apply to walk-in customers whose transaction value does not exceed 100 million Rupiah (US \$8,800). [39] Financial officers simply do not monitor most financial transactions by walk-in customers in the country's largely cash-based economy. Indonesia also fails to meet a number of international standards for combating money laundering, including the failure to create a financial intelligence unit dedicated to countering illicit finance schemes. These significant deficiencies have not resulted in increased efforts by high-ranking officials to combat illicit finance schemes. To date, officials report that they have found "no bank in Indonesia which has been found to be involved in money laundering." [40]

4.6.3 Conclusion

Conflict timber is a growing concern in Indonesia. [41] The anti-money laundering regime is inadequate and provides enormous opportunities for the funneling of profits from the conflict timber trade through banking and non-banking institutions. The number of government agencies linked to the conflict timber trade includes significant elements of the armed forces, and national police. A significant portion of illicit funds raised by conflict timber schemes remain in Indonesian and neighboring Malaysian financial institutions, which provides a stable system that lacks adequate oversight mechanisms, and eschews a wide range of international anti-money laundering norms.

5.0 CONCLUSIONS

This study has attempted to link conflict and timber from a patchwork of information obfuscated by underreporting, political chaos and the need to protect informants. Ten points have been selected that appear most pertinent:

1. Conflict occurs where substantial timber resources exist.
2. Conflict is underreported.
3. In Papua, conflict over timber relates to centralized control by security forces that have free reign over the province and remain disengaged from local government.
4. Most conflict and timber problems are symptoms both of the collapse of governance and subjective use of law.
5. The law is used by the powerful to subjugate the weak and extract benefits from competitors.
6. Revenues from illegal logging benefit local groups that can be best thought of as gangs. These gangs represent community members, business interests, militias, elements of security forces or collusive bureaucrats, although more usually a combination of these.
7. Community members gain the least and suffer the most from conflict arising over timber, yet may still think they are getting a better deal now than ever before (except in Papua).
8. Pulp and paper companies employ the most organized repressive measures among all industries encountered.
9. Timber concession conflicts are liable to dwindle as concessions become increasingly irrelevant economic institutions.
10. Short-term mitigation of conflict and timber will depend on mass media “name and shame” tactics; over the longer term the solution is embedded in consolidating at district levels both responsive governance and a form of law that meets “rule of law” rather than “rule of men” standards.

Across the Indonesian archipelago, with its different types of forests, industries and communities, it would be folly to suggest recommendations that provide blanket approaches to deal with timber and conflict issues. These are rooted in the governance and judicial problems Indonesia currently faces and should not be addressed in isolation. Nonetheless, there are some basic and simple lessons and messages worth bringing to the fore that should be supported:

At Local Levels

- In the short-term, whereas the press is generally weak, civil society groups combined in “naming and shaming” perpetrators of violence and illegal timber extraction in the media are felt to be effective. Whereas these groups and their strategies may work at local levels, at national levels the messages appear insignificant.
- Certain donors and NGOs assume they are involved in conflict management without the skills to address the issues at hand; at best they are facilitating dialogue among protagonists. There is an urgent need for conflict management training in government and civil society institutions in all provinces where timber conflict occurs. An exception may be West Papua where there is military suppression of opponents to natural resource extraction issues rather than conflict among parties that might be contained.

At National and International Levels

- Governments and consumers of timber and timber products should take a zero tolerance approach toward purchasing any product that cannot be proven to have been extracted in an ecologically sustainable and socially ethical manner. Given the level of harvesting of Indonesian timber and the level of conflict it generates, the onus should be placed on producers to demonstrate they are working with best practices.
- Governments and NGOs should desist from attempts to address illegal logging and forest crime as a singularity; the issues are symptoms of wider governance issues and cannot be addressed in isolation. The focus should shift to stopping trade in any timber or timber product that generates revenue to those engaged in unsustainable or unethical practices.

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APPENDICES

APPENDIX I – EAST KALIMANTAN

A-1.1 Perceptions

In 2001, one district, West Kutai, had about 250 conflicts. Most were over village border issues and natural resource management rights including timber, fee allotment and land inheritance. Yet reports have rarely been widely disseminated.

During interviews with traditional village headmen in two more northern districts, Berau and Malinau, they reported that they made complaints over company grabs of their land and loss of community forest in the Suharto era. Compensation was requested for destroyed fruit trees and rattan gardens, and the absence of promised Forest Village Development programs. These were never heeded. Instead they were intimidated by security forces paid by for by the company and encouraged not to get in the way of operations.

With autonomy has come the opportunity to reclaim rights to what they perceive is theirs. They feel that claims for the rights over traditional lands and forests are appropriate and not exaggerated. They are concerned about reports that similar claims are being made by others on their behalf.

Villages

Village perceptions of the history and causes of conflict between communities and timber companies include:

- *Unclear borders between the timber company and the community* – this resulted in destruction of community resources and investments, including natural and planted trees and rattan.
- *Company lack of willingness to discuss community land areas in and nearby operational areas* – this despite, in some cases, prior village mapping by NGOs and research institutions.
- *The Forest Village Development HPH programs are empty promises* – companies have obligations to develop village development programs. These are not conducted to any level of satisfaction.
- *The company brought staff and workers from the outside* – this created social envy among the villagers. Requests to work for companies are generally ignored. Companies feel village human resources are low quality; therefore they were only given limited opportunities to work as daily laborers.

Communities now demand compensation for all that has been destroyed by the timber and plantation companies. The villager's calculations over their demands are various, depending on the size and extent of damage.

Industry

Perceptions of the concession association *APHI KOMDA – East Kalimantan* regarding the history of conflict differs and the organization suggests the follow reasons:

- Policies on forestry issued by the central government and the regional government are often contrary and overlapping.
- The understanding of regional autonomy is often misinterpreted and has the tendency to disregard national interests.

- The people have a “rebellious” attitude toward forest resource exploitation by companies operating nearby their area of domicile because they have felt marginalized and neglected.
- Interference by certain parties (NGOs, etc.) infiltrating and spreading issues of community development is a camouflage to promote their own self-interests.
- The social approach from companies towards communities is often not communicative and intensive; there is a lack of quality human resources available to conduct them successfully.
- Lack of response from the government concerning the source of the problems and the issues that emerge.

Companies feel that “*reformation euphoria*” has led to demands for compensation becoming inappropriately large. The means used to obtain demands are considered illegal, such as seizing and confining heavy equipment and burning down base camps. Paying compensation demands in the form of money is considered unwise; industrial representatives think the money will be squandered.

District Government

In the eyes of the district government officials, conflict now occurs because the central government has only been in favor of the big companies. One opinion recorded was:

“The central government has neglected the interest of the people; the simplest example is the obligation of the companies to perform Forest Village Development HPH Programs, which should have been a reliable program to increase the prosperity of the people. However, the monitoring and controlling of this program has not received any attention from the central government, meanwhile according to the rules, officials of the regional government have no authority over this matter. As a result the people are upset and feel that they have been deceived. That is a risk that the companies must pay today.”

Government sources believe conflict is also caused by social envy due to the use of outside workers by companies. The stereotype that indigenous Dayak people are lazy and cannot be employed in a company has insulted and upset locals. The regional government feels that companies just use this excuse to employ workers from other islands, such as Java, Sulawesi, and East Nusa Tenggara. Social envy has further triggered ongoing conflicts between the outsiders who work in the companies and local residents.

Company Workers

An employee of a company, who happens to be a local, also stated the same opinion: that there is discrimination in opportunities for filling positions within his company. This is strongly felt in state-owned companies running forestry businesses. It is well known that these companies prefer the Javanese compared to the local Dayaks to fill good positions. The Dayaks are usually placed in hard labor postings and are also chosen to go into forest for extended and arduous periods. The Javanese are the only ones given the opportunity to fill administrative positions. In base camps, the language most commonly spoken is Javanese, not Indonesian. Discrimination against the indigenous population has been strongly felt for a long time.

Interviews with workers from outside the island of Kalimantan indicate that they feel that conflicts are caused by many problems:

- Management has neglected the Forest Village Development HPH Program and residents feel that the presence of companies has not given them any benefits.

- Camp management cannot anticipate the probability of conflict because they have no interactive social mechanisms; these should have been in place since inception of operations.
- Companies have been operating within what is considered communities' traditional areas; rattan gardens have been lost to road construction. However, none of the locals made attempts to show the location of their traditional forest areas to companies at the beginning of the operations. Now, after the onset of decentralization, they have started making claims.
- “*Reformation euphoria*” has encouraged locals to claim their rights without any clear calculations of the costs. Locals reinforce their demands by blockading company roads.
- Locals obtain information about the company from their own inside sources and then they make claims using their own calculations of production fees.
- Dayaks are known to be of a hard character and can be uncompromising.

The discrimination felt by indigenous workers and communities is not experienced by any employee from outside Kalimantan. They feel that they live together well, except for a few employees that have quit their jobs due to conflict.

According to the study conducted by NRM/USAID East Kalimantan, many factors can potentially cause conflict. There can be simple factors connected with fundamental issues like the legal system, social values, the economic status and culture of parties involved in the planning, management and utilization of forest. A classification of forms of conflict, the stage of conflict, causal factors and the parties involved in various conflicts that have emerged pertaining to forests, is indicated in three main themes:

1. *Legal/policy framework* – provision of certainty about the status of a forest area; is an area of forest a HPH or a traditional community forest?
2. *Economic benefits* – there is an imbalance of distribution of the benefits obtained from forest products between the central government, regional government and communities.
3. *Cultural values and perceptions* – the difference between the values of outsiders and established communities.

NGOs and research institutions in East Kalimantan point to the emergence of conflict as being triggered by the injustice felt by locals, human rights violations and social conflicts that were a “time bomb” exploded by the implementation of regional autonomy.

Security Forces

Elements of security forces that concern forests and conflicts have arisen because of decentralization and reformation. New state policies concerning their authorities have made it difficult for them to manage conflict. During the Suharto regime, the presence of BABINSA (the extension of the army in villages) was considered effective in detecting potential disturbances. Before a mob could form and inflict damage, the security apparatus could arrest ringleaders. However, BABAINSA has been eliminated and its intelligence benefits lost. Conflicts arise and security branches can only act after conflict has exploded; actions are often ineffective against empowered and violent mobs.

Conflict Resolution and Security

In several cases, short-term conflict settlement by means of paying compensation has not been completely successful. Companies state that when they reach an agreement with one traditional community group it only motivates others to claim the same. So companies have doubts about paying in further cases unless

there are violent acts like seizing and confining heavy equipment and burning down base camps. These kinds of conflicts are now frequent; locals see these tactics work and realize that not only have the functions of the security apparatus become unclear, they are almost helpless in overcoming mobs.

A-I.2 The Relationship Between Timber and Conflict

A pattern of conflict emerges rooted in uncontrolled exploitation of timber resources. Social conflict is triggered by transitional conditions and uncertainty about rights and responsibilities in forest management. It is clear that local government has no resolution mechanisms able to deal with the problem.

The East Kalimantan local concessionaire association (APHI) recorded the following numbers of conflicts in various districts in 2002.

Table A-I.1. APHI-Recorded Conflicts by District

Kabupaten	Number of Concessions/Industrial Plantations in Conflict	Number of Conflicts among those Plantations
Kutai Kertanegara	6	23
West Kutai	5	26
East Kutai	6	23
Berau	2	8
Bulungan	4	11
Total	23	81

Source: APHI Regional Committee East Kalimantan

These conflicts are not broken down by type but include camp burning, beatings, equipment seizure, blockades and demonstrations. APHI reports that the impacts include the endangerment of existing forests and their conservation, destruction of investment security and the continuity of long-term business in forest management.

From surveys and a compilation of various 2001 data sources, APHI reports the following types of claims that have led to conflict:

Table A-I.2. APHI-Recorded Conflicts by Types of Claims

Types of Claims	Number of Conflicts
Production fees	9
Compensation for plants destroyed	15
Claims over working area	24
Levy and grant compensation	4
Compensation for traditional communities	24
PMDH programs	1
Demands for social funding	2
Improvement of village facilities and infrastructures	1
Cooperation shares	1
Total	81

Source: APHI Regional Committee East Kalimantan

A-1.3 District-level Forest Licenses (IHPHH) – The Source of Many Problems

The conflicts in the district of Berau over district government logging permits (IHPHH) are typical for the timber-rich areas of East Kalimantan and beyond. As background, based on various autonomy-related regulations, IHPHH permission can be given for one year and for a maximum area of 100 ha to harvest trees. This policy was prepared for areas to be converted into plantations from non-forest cultivated areas. Yet what happens is that “entrepreneurs,” usually from the local business community, get villagers to sign off on multiple IHPHH that together can amount to thousands of hectares. With bribes to government officials, the IHPHH blocks get approved. These mini-concessions often overlap central government-licensed commercial concessions. Timber contractors, sometimes from as far as Malaysia, start full commercial-scale logging. In one concession in Berau, roads were being built by IHPHH loggers that were superior to some made by the timber concession. Import of equipment and transport of wood would be impossible without collusion of government, company and law enforcement agencies. Horizontal conflicts can arise between communities when different IHPHH blocks overlap. Both may conflict with a concession.

A district official stated that the IHPHH policy is a way to distribute any forest product to communities. However, community members report corrupt officials in the district government issue their own permits, claiming they are acting on behalf of community groups. Locals only receive small fees, around US \$5 to 10 per m³ harvested. The commercial value of timber is around US \$110 per m³.

The IHPHH issue is the biggest threat to remaining forest in Kalimantan and Sumatra; it legitimizes short-term clear felling of forests by small-scale business interests in collusion with local governments.

The community groups that have permits think that this is the right time for them to enjoy the financial benefits of their natural resources. As one villager noted:

“This is the reformation era. We can take wood from the surrounding forest near our village and we can get a large amount of money from investor fees. If the Suharto regime returns, we will become poor yet again.”

However, there are several opinions within communities, especially among women, that the benefits are concentrated around a few. Some get no advantage as they are not part of any group that obtains permits. There are side effects to the sudden flood of money; drugs are available to communities for the first time.

A-1.4 Conflict Expenses

Parties in conflicts over IHPHH note various expenses. For companies:

- Maintenance of nonproductive equipment;
- Payments to retrieve equipment held hostage;
- Payments to salaried workers who are no longer productive;
- Investigation expenses (to get police to the field and working);
- Compensation to employees injured in conflict;
- Replacement of broken equipment and burned camps;
- Expenses for the negotiation process with the villagers during the conflict;
- Expenses that must be paid to the villagers when an agreement has been achieved;

- Expenses for other parties involved (regional government, consultants, or institutions assisting the mediation, mass media and leaders believed to be able to mediate the conflict); and
- Other expenses in order to accelerate the conflict settlement process.

For villagers:

- Expenses for guarding heavy equipment seized, or base camps held, during conflicts;
- Expenses for transportation to the district capital, the place where the demands and claims are usually submitted and the process of settlement conducted;
- Expenses for accommodation during the process of the conflict settlement; and
- Expenses during the process, such as meetings that are conducted by the villagers.

Village expenses are collected from all villagers, village development funds, loans from “other parties” and timbering operations around the village. For Malinau, one village stated that approximately US \$20,000 was spent for the settlement of one year’s worth of conflict. Some of the money was a loan from politically well-connected villagers who belong to the district parliament.

During team interviews, the connection between conflict and wood exploitation in East Kalimantan appeared inseparable from the role of “investors” behind the processes nurturing conflicts. They come from local timber contractors normally hired by concession and industrial plantations, and contractors from neighboring Malaysia. They work with village elites and regional government. The investors are also involved in mass organizations that have political power in the region, such as Pancasila Youth (*Pemuda Pancasila* – a mass organization under the Golkar Party), village councils, district parliaments and families of the politically well connected.

A-1.5 Conflict Potential Among Dayak Tribes

Dayaks are the indigenous peoples of Borneo. The Dayaks originally lived near the rivers along Kalimantan’s coast, but gradually moved inland as migrant settlers began to occupy their lands. The Dayaks are divided into seven main tribes: Dayak Ngaju, Dayak Kayan, Dayak Iban, Dayak Klematan, Dayak Murut, Dayak Punan and Dayak Ot-Danum. The seven tribes are divided into smaller subtribes, each with their own language and customs. Traditional livelihoods depend upon agriculture, forest and fish resources. Under the Suharto regime, many were made sedentary and forced out of traditional dwellings like long-houses. Traditional land rights were not recognized and their traditional lands were licenses to business interests. Various Dayak groups want their lands back and this sparks horizontal and vertical conflicts.

During interviews, disputes among local communities were obvious and mounting. An example of how a simple dispute cascades in the current environment involves a case where the Dayak Kenyah tribe were being driven off their lands by Punan Dayaks in the Long Merah subdistrict in the upper course of the Mahakam River. The expulsion was provoked by conflict over rights for areas covered by a timber exploitation permit issued by the district government of West Kutai. The Punan tribe proved its tenure and the Kenyah moved to the district of Berau; their previous stay of 20 years appeared to give historical right to land ownership. After the Dayak Kenyah moved from the village, Dayak Bahau occupied Kampong Huma Besar, a village near Long Merah. The Dayak Bahau then claimed the Punan actually had no tenure rights for the areas. Based on historical claims, Dayak Bahau owned the areas along the Mahakam River when the Dutch masters had allocated land. There is now the potential for violence if disputes over land rights are not settled.

The exodus of the Kenyah to Berau worried the district government of West Kutai, which rejected the call for the group to move as most of the population left would be Punan. The rejection took the form of not granting a resettlement permit. But the Kenyah had influence via the Association of East Kalimantan Dayak (PDKT), whose chairperson is the Tribal Chief of Dayak Kenyah; the community did resettle in an area run by a state-owned enterprise. Through its forestry social program, the Kenyah got permits to inhabit production forest, in which each of 60 families got two hectares plot of land via IHPHH.

The fact that the new community was given IHPHH invoked a new problem since they resided near a subdistrict which other Punan inhabit. These Punan had been trying unsuccessfully to get IHPHH. They have become envious and the envy is spreading. Other nearby Dayak tribes along the Kelai River are increasingly frustrated that they have no basic land certificate after inhabiting their area for years. They need legal certainty to ensure they are not expelled from their land again. These rivalries and jealousies could ignite into local, horizontal conflict.

Clashes among Dayak tribes have taken place in the district of Malinau over inheritance rights for birds-nest caves between families powerful in the government and families powerful in noble bloodlines. The latter have gained power since their children have obtained posts in the district government as members of PDIP, the political party of President Megawati.

A-1.6 Competition Between Indigenous and Migrant Groups in Government

District governments are allocating natural resource rights, including rights to forests. Every tribe has their own favorite for office and there is fierce competition for government posts to provide favor to ones own group.

Indigenous groups in local government have generally gained strategic positions for guiding natural resource management to the fury of migrant groups. This led to competition for those positions using large amounts of money. These sums must be returned to creditors after positions are gained, often in the form of natural resource extraction rights. It is public knowledge that legislative members “play games” in their efforts to boost the strength of their group in district parliaments. The Bugis group from Sulawesi, known for their trading skills and stubbornness, now dominate the timber industry business including sawmill and inter-island trade. This has led to the perception of indigenous groups that migrants are stealing East Kalimantan’s riches for their own benefit. This is creating increased tension that the government has failed to anticipate. Yet anticipation is needed and seen by some as critical if ethnic clashes are to be avoided like those that occurred in West and Central Kalimantan, costing thousands of lives.

A-1.7 The Roles of Institutions Working on Conservation and Community Development (research institutions, universities, donors and NGOs)

There are a large number of international donors, NGOs and research institutions operating in East Kalimantan, which explains the detail in this appendix vis-à-vis the others. Interviews reveal that none work on, or are otherwise directly involved with, attempted dispute resolutions or conflict management.

NGOs working on natural resource management in East Kalimantan have focused on investigations into arising issues, social institutional capacity building, dealing with corporations attempting resolution, and reclaiming people’s rights. NGOs such as PLASMA and PUTI JAJI have facilitated dialogue between conflicting parties, yet have not been involved in conflict management. Some other NGOs work on advocacy and investigation into disputes and illegal logging in East Kalimantan. Sources have remarked that the role that should be played by most local institutions is mediation and facilitation. Disputes have

grown so large that an institution already proven capable of finding win-win solutions is needed. There are a number of environment-based activists who have conflict management skills. However, an umbrella institution is necessary for such individuals to join efforts on conflict management.

It appears that donor agencies, NGOs and research institutions are all called upon to contribute to conflict management. Opinions considering conflict resolution mechanism arose during discussions. Major recommendations were:

- Since there is no government acknowledgement of the existence and ownership of tribal land, there is no recognized framework of ownership. A multi-party dispute resolution team might be established to prevent disputes and settle ongoing conflicts. This team should involve elements from subdistrict, district and provincial levels. Tribal and non-tribal resolution efforts should be commenced at the subdistrict level. When the two conflicting parties fail to achieve agreement, efforts should be made at the district level before it is attempted at the provincial level.
- Members of the resolution team must be independent, impartial and trusted facilitators to both parties of the dispute. In the settlement process, facilitators may request an external mediator, impartial and respected by all sides.
- Members of the resolution team should have a formal legal basis for the authority to legalize agreements between the conflicting parties, and have ample time to conduct mediation.
- Dispute resolution is a dynamic process and not all disputes have clear resolution. Monitoring and evaluation of the execution of agreed commitments will be necessary. Dispute agreements should have sufficient flexibility to avoid rekindling conflicts or starting new ones.
- The resolution team should understand the root of the problems in any particular area. They should be able to lobby for better enabling environments.
- Basic and advanced training and advancement will be required to improve capacity in facilitating dispute resolution at district levels.
- A periodical meeting that involves tribal and subdistrict leaders will be required to exchange information and maintain dialogue and find solutions to social disputes.

The NRM Office of East Kalimantan has made a “Recommendation for Disputes Resolution Policy and Institutions” for Kutai Barat. The aim of the recommendation is to provide the opportunity and certainty of community rights to natural resource management. This is intended to solve both vertical and horizontal disputes. The decision whether to manage independently or in collaboration with selected investors will be up to the concerned community to decide. Provincial supporting policies will begin with the drafting of a Regional Regulation Policy on Forestry that will become the umbrella for the recognition of community rights to forest management, and regional autonomy with respect to national unity. Another objective of the policy recommendation is people’s economic improvement. Most emerging disputes in East Kalimantan deal with claims for compensation or a fair share of the exploited natural resources. Returning people’s rights to make natural resource management decisions will open opportunities to improve their domestic economy and gain a legal basis of ownership to clearly defined areas, the lack of which continues to cause so many problems.

APPENDIX 2 – CENTRAL KALIMANTAN

Many of the patterns of conflict in Central Kalimantan reflect those in East Kalimantan. Appendix 1 should be referred to before reading this section.

A major conflict in Central Kalimantan began on 18 February 2001 in the river town of Sampit, the capital of East Kotawaringin district. Sampit was once a peaceful and bustling provincial business center. The conflict in Sampit erupted after a Dayak mob attacked the Madurese's migrant settlement area, at about 00:30 a.m., leaving five people dead. Within hours the violence spilled over into neighboring villages and by the next day reached the provincial capital city, Palangkaraya. Both of these ethnic conflicts involved the Madurese ethnic group. Even though the Madurese have been in Kalimantan for more than a half-century, the process of cultural assimilation between the "old residents" and the "new residents" has not been smooth.

The Madurese came from the 5,300-square kilometer Madura Island, located in the province of East Java. The Madurese are pious Muslims. Madura Island is densely populated, yet in some areas the soil is not suitable or fertile enough for rice cultivation. As a result, many Madurese travel to other parts of the country to earn a living, mostly in different kinds of trade. The Madurese began arriving in Kalimantan in large numbers in the 1960s as part of the government-sponsored transmigration program. As migrant settlers, the Madurese are well known for their toughness and solidarity. In Kalimantan, their numbers reach up to 100,000. They mostly compete with the locals in the lowest levels of the economy.

A Madurese sociologist, Abdul Latief Wiyata, stressed that there were prevailing stereotypes of Madurese that were mostly incorrect, but were still believed by many people. "*The Madurese often are associated with the clurit (a traditional sharp weapon), the karapan sapi (traditional bull racing) and violence,*" he said. According to Latief, the Madurese are hard workers and have a strong grip on old traditions that are rich with Islamic teachings—a picture that explains why the Madurese cannot accept the indigenous Kalimantan Dayak's habits of keeping dogs and eating pork, dogs and pigs being two animals forbidden by Islam.

The Dayaks originally lived near the rivers along Kalimantan's coast, but gradually moved inland as migrant settlers began to occupy their lands. The Dayaks are divided into seven main tribes: Dayak Ngaju, Dayak Kayan, Dayak Iban, Dayak Klemantan, Dayak Murut, Dayak Punan and Dayak Ot-Danum. The seven tribes are divided into smaller subtribes.

Before Dutch colonialists outlawed the practice in the late 19th century, the Dayaks had a well-deserved reputation as headhunters. The ancient Dayak tradition of decapitating their enemies was closely related to the wedding ceremony, with the heads of the enemies being given to brides as dowry. The tradition was called *ngayau* and it has long been abandoned. An anthropologist characterized the Dayaks as peaceful people; friendly, extroverted and preferring to avoid conflict. Their social problems are settled through traditional institutions, in which the elderly are regarded as the wisest people in solving any problem.

The Dayaks, who number about two million in Kalimantan, are largely Christians, but some still hold ancient animistic beliefs, known as *Kaharingan*. Traditionally they live in groups along rivers in long-house communities with no more than a few hundred members. Their livelihood has traditionally depended on the cultivation of rice, along with fishing, hunting and the sustainable logging of rain forests. A few groups, however, still live as nomads, opening up forests for their simple plantations and then moving on to other areas. In recent years, many Dayaks have taken jobs in logging companies, wood processing, or in mining industries which are mostly run by the new settlers or foreign companies.

The conflict between Dayak and Madurese was triggered not only by religious dissension, cultural and natural background, but also by access to natural resources and difference business strategies. The Madurese have a high fighting spirit and tend to be stronger in business networks. All kinds of businesses, trades and petty crimes have been dominated by Madurese. Meanwhile, the Dayaks are not business minded and tend to be unsuccessful in trade affairs, thereby creating a large gap in natural resource business access in Central Kalimantan.

Conflicts that occurred at the beginning of the regional autonomy era were not only among ethnic groups, but also between community members who live within and around forest areas and holders of forest concession (HPH/HPHTI) and estate crops rights. In East Kalimantan, conflicts have been triggered by claims of community members over customary forests, rattan plantations and public plants destroyed by activities of HPH/HPHTI and estate crops. Most conflicts occurred between 1999 and 2001. Arson of base camps and public demonstrations to demand claims forced HPH/HPHTI to stop their operational activities. The history and claims of community members are similar to those happening in East Kalimantan (Appendix 1).

Conflicts between community members and HPH/HPHTI in Central Kalimantan were not all between Dayaks and business enterprises; some were disputes between transmigrants and business enterprises. For example, in 1999 in the HPH Kayumas Group area, a dispute occurred between the company and transmigrants living around the operational area. The dispute, allegedly due to company's use of security personnel to stop illegal logging, had ignited anger among the people living in transmigration settlement areas. The company was not able to stop illegal loggers from entering the area and enforced security measures that triggered violence by community members, such burning the central base camp, heavy equipment, training centers and staff residences. The conflict was not resolved and the company closed and left the area.

A-2.1 The Relationship Between Conflict and Illegal Logging

Conflicts that erupted between the Dayaks and the Madurese in particular, and between the community members and HPH/HPHTI and estate crops, are closely related to illegal logging or timber theft in forest areas and the enactment of regional policies allowing local extractive permits to be issued. Before the implementation of regional autonomy, Central Kalimantan had been accustomed to cases of illegal logging which were difficult to solve. Before the decentralization/reform era, there was a harmonious relationship between illegal loggers and government officials on one hand, and between HPH and security personnel enforcing sanctions for illegal logging on the other.

Interviews with the forestry offices and timber concession associations in Central Kalimantan indicate that tensions due to conflicts between community members and HPH/HPHTI and estate crops in the last two years have abated. Some cases that came up have abated without clear solution. Conflicts ended when companies were unable to pay compensation demanded by communities and simply left the area. Consequently, many abandoned areas have been used for illegal logging without any controls.

The district chief of the Central Kalimantan district shares this opinion. Having just assumed his position, he deplores the fact that community members have caused some HPH to leave their operational area. According to him, there should be 11 HPH operating in one area; only five are still active. The other six left because they were disturbed by people who claimed that the operational area was their customary forest. Since the area was abandoned, illegal logging prevailed.

From the community's point of view, the conflict between community members and companies was mainly about forest land issues and the fulfillment of promises that concessionaires made during the diagnostic study on village development programs. The involvement of community members in illegal

logging practices seemed to be the only choice during the multifaceted crisis currently happening in Indonesia. Logging under those who have obtained local government permits has become a source of living. For community members, local government should have become a conflict mediator and given official permits for them to operate, but the government seems indifferent. Consequently, to date, there is no legal framework regarding public rights to areas abandoned by concessions.

Many local community members have to work as illegal loggers and are paid in lump sums or on a contract basis system. However, this system has caused community members to become overburdened with debts—financial backers or concession holders then force them into more illegal logging activities. In various watersheds, residents sell illegal timber for US \$10 to 15 per m³ to brokers who will then sell the timber to a higher level broker for US \$20 to 30 per m³. Ironically, these higher level brokers are often members of the timber concessions. It is widely expected that the potential for conflict in the future will be powered by this ongoing pillaging of dwindling natural resources.

The destruction of forest resources through illegal logging is worsened with the widespread illegal gold mining. It is spreading quickly and destroying water courses. Local government sources predict conflict will erupt between transmigrants and locals because of long-standing business competition in gold mining. Population growth and the entry of transmigrants have caused severe conflict, and is worsened by business competition and differences in cultural background. Transmigrants get better results compared to locals. In addition, the transmigrants also act as middlemen buying gold and selling mining equipment, deriving income from indigenous miners.

APPENDIX 3 – WEST PAPUA

The relationship between conflict and timber appears to be different in West Papua than from any other province visited. A series of workshops sponsored by OTI led to the conclusion that Papua has the only true state/societal conflict in Indonesia. Natural resources, including timber, are a dominant factor in Papua and the army (TNI) is the only administrator over them with power. OTI workshops have found district and provincial governments feel powerless in the face of the armed forces. Unlike other provinces and their districts in which strong alliances have been built up between local elites and security branches, no such alliances have developed in Papua. Antipathy toward the TNI is a consequence. Provincial interviewees noted that local governments are forced to pay operational costs for military special operations, including food, trucks and building materials.

In other provinces studied, illegal logging appears to have developed micro-bubble economies where most benefit from an illicit revenue stream. In Papua, there is little revenue retention. Racism is felt to play a strong role in this dynamic. The outcome is sporadic violence, widespread low-level terror and enormous resentment that many interviewees feel will explode at some point.

A-3.1 Information

Papua's size and lack of communications infrastructure means that learning about incidents, never mind investigating them, is very difficult. Human rights and legal organizations, at the forefront of information collection about rights abuses, feel their data collection tends to be passive rather than active.

Surrounding timber the same problem is encountered. There is thought to be 600,000 m³ per month cut illegally in West Papua, an estimate from unclear sources. Yet getting figures on legal cuts is also difficult. Interviewees report that the local forestry offices will not provide figures for what the legal production should be.

A-3.2 Provincial Security

From interviews it appears that the issue of conflict and timber should be seen as a small component within provincial politics and potential benefits to parties. Acting on a presidential decree, there are moves to divide the province into three provinces. This move has little local support aside from those members of the political elites that will benefit. Interviewees suspect the motivation behind the split is to further "divide and conquer" the territory.

Enforcement in the territory has traditionally been in the hands of the military, whose involvement in resource extraction and protection racketeering has been well documented. Incidents of violence have been common; the problem has been getting that information out.

The involvement of the state intelligence agency, BIN, in Papuan politics has been frequently commented on by observers, including in the press. The agency is said to be behind moves to break up the province. Interviewees suggest its enforcement arm is militia based. Those noted were:

- *Laskar Jihad* – said to be most active in Sorong with an unknown number of personnel across Papua and about 1,000 estimated trainees. Like other militias thought to be under military control, the role of *Laskar Jihad* is to spread low-level terror. BIN is said to collect intelligence via militias. In Arso, for example, *Laskar Jihad* is reported to sell cloth and other goods, walking down the streets and alleys of communities. In these ventures, they are collecting information for formal security forces. This is said to be happening also in Fak Fak;

- *Barisan Merah Putih* - school dropouts trained by KODIM. Also said to be strong in Sorong;
- *Laskar Kristen* - interviewees not sure what their role is or if they are in Papua to stay;
- *SatGas Papua*; and
- *Tenaga Bantuan Operasional (TBO)* - the “operation support team.” This 13,000-strong group supports military operations, and is largely made up of Papuans, yet it does include many other ethnicities.

The recent discovery of a bomb-making facility in Sorong has people very worried about unrest developing along the lines of Maluku. With uncertain effect, the local government has declared Papua a “peace zone.”

Interviewees also state that BIN has effectively replaced the role *Kopassus* used to play. Some fear that the focus of militias is to reduce the power of Christians and increase that of nationalist Muslims. The militias have supplanted the role of the army in using low-level terror to control communities (*terror publik*).

Funding for militias is thought not to come from operational budgets, but from funds raised by military arms from foundation businesses including *Kartika Optika Inti* operations in the Mamberano area. Illegal revenues are thought to arise from:

- Security provision (including extortion),
- Timber and mining concessions,
- Fishing rights,
- *Ganja* farming, and
- *Gaharu* trading.

It has been noted that the number of army posts and general level of army activity fell during the Habibie administration, and more so during the Gus Dur presidency. They have rebounded to their Suharto levels during Megawati’s tenure. There is evidence to suggest that Gus Dur was more inclined to use the police for security instead of the army, but Megawati prefers the army. The police and army are said to be mutually suspicious in Papua, yet they have many causes in common.

A-3.3 Timber

Papua’s more than 42 million hectares contains approximately 12 million hectares of production forest and nine million of conversion forest.⁶ Of 54 concessions (HPH) licensed by the central government, 16 are active with a combined area of 12,025,923 hectares. “Active” is defined as *either* harvesting *or* just having administrative organization. Most non-active HPH are those with land conflicts.

A recent policy initiative has been the introduction of KOPERMAS (KPS), cooperative ventures between concessions and communities. Like the IHPHH of Kalimantan, the Papuan licenses are called IHPHH-MA, the MA standing for *masyarakat adat* (local communities). The system arose as a solution to conflict between HPH and communities. KPS wood should be cut and sold by communities to the HPH they are cutting within. Yet the system is flawed. Wood goes to middlemen, *cukong*, because they pay more.

⁶ Cendrawasih Pos; 28 September 2002.

Many *cukong* are Malaysians or Indians. The wood they buy is allegedly exported to foreign markets illegally.

Revenues to communities can be low. In the Asmat area, the forest is not commercially viable for heavy machinery; 11 stems per ha are about the maximum that can be taken. So HPH will give a community member as little as US \$0.75 to 19.50 per m³ cut and hauled to a log pond. Whole families are involved in these efforts. In turn, security forces are said to be able to charge US \$2.50 per m³ for security provision to a HPH.

Interviewees report that government and security force involvement in timber can also take the form of financial backing, or setting up informal joint ventures with communities to log an area of forest. The army, in these arrangements, often has the community cut forests, or in some cases, has soldiers performing labor duties. Techniques for securing land include long-standing roadblocks securing an area prior to logging. Human rights observers have noted that across the province, the army, outside of the KPS framework, hires communities to log wood. If people refuse they are terrorized. In 2001-2002, 20 such cases were recorded with 10 to 15 involving physical violence and terror.

Interviewees stressed that “security” has been used as a rationale to clear forests for the benefit of security forces for decades. An area is declared a security zone for having a concentration of OPM separatists. Over time the area is logged by HPH. Transmigrants arrive and the area is cleared for agriculture and oil palm conversion. Even after oil palm has been planted, security forces still acquire revenue through supply of protection. Some local communities gain revenue by extortion from transmigrants, threatening crop destruction unless they are paid. Local communities are usurped and no clear rule of law prevails. Low-level terror maintains order.

An ongoing example of the above processes was frequently reported about Arso, in the Jayapura district. Along the Papua New Guinea (PNG) border, Arso has been known as a place of conflict between parties including Papuans and transmigrants, OPM and army. Currently only 20% of the population are native Papuans. Eighteen hundred soldiers, including SATGAS, are in the area. Along the border, home to indigenous animist and Christian communities, Islamic Hajjis of Bugis (Sulawesi) origins in Jayapura have bought rights from the local government to log along the border. Local communities have ancestral claims to the same area, yet no documentation to back them. The Hajjis, backed by IHPHH-MA documents, use the army to enforce their rights. The road there is restricted, even to police, and guarded by soldiers; their colleagues reportedly cut and haul wood. The area of control is said to be a 50 X 50-km block, with about 50 guardposts within it.

A-3.4 Other Products

Wildlife and *gaharu* (a high value incense product derived from the infected wood of certain tree species) trading are rife, and in the case of wildlife, usually illegal. The revenue gained from either is unclear, yet understood to be significant to those parties.

There are frequent reports in the press about security forces being heavily involved in wildlife trading.

Gaharu collecting can be violent in the Timika area; gangs have their own patches. When they finish an area they move on, areas they move into may have other groups that fend them off. OPM killed people who encroached upon their territory two years ago.

A-3.5 Conflict

Conflicts tend to be short and often brutal. Again, reports are sparse and there is assumed to be much that is unreported. Among all interviewees the Wasior incident is most referred to as representing the type of conflict and rationale that occurs now and is most likely in the future. As reported by ICG⁷:

Wasior lies on the neck of land that joins the Bird's Head peninsula to the rest of Papua. Against a background of local protests against a logging company, three company staff were murdered on 31 March 2001 by an armed Papuan band. Brimob riot police were sent to track down the killers and protect other logging companies, causing many villagers to flee in fear. On 3 May, the Brimob attacked civilians who may have been on their way home from a celebration. Six are reported to have died, either shot by the police or drowned.

The violent behaviour of Brimob further increased tensions. On 13 June 2001, a group of armed men attacked a police post, killing five Brimob members and a civilian. The attackers seized five rifles, a Bren machine gun and ammunition. Their identity, like many details in this case, remain unclear. The police say they were local people led by OPM guerrillas who had been extorting money from the timber companies. Another view is that they were Papuans employed by local military units that were competing with Brimob for control of the timber industry. It is known that some groups within the OPM, or claiming to be OPM, work with the military. It is also quite common for business rivalries between the military and police to spill over into violence.

There is a theory that the violence was engineered as a warning to BP's Tangguh LNG gas project to co-operate with the military. The attack coincided with a visit to Tangguh LNG by the British ambassador to Indonesia, Richard Gozney. If this theory is accurate, it is not clear why Wasior should have been selected as a target because it is 160 kilometres east of Tangguh on the far side of a mountain range, with poor road access.

After the raid, Brimob descended on nearby villages and took brutal and indiscriminate revenge on civilians. According to ELSHAM, a local NGO, twelve Papuans were killed and another 26 are missing, though some of the latter may be alive. The police also destroyed houses and arrested more than 150 people, according to local NGOs. Sixteen of the latter have been convicted so far of various offences in trials that Amnesty International believes were unfair and followed torture or ill-treatment.

A group of human rights and church workers were barred from the area, while a second group was intimidated by Brimob firing shots into the air and was unable to carry out its work. The stolen Bren machine gun and two rifles were eventually returned but the people holding the other three rifles refused to give them up. A standoff continued between the armed group and a combined force of police and soldiers. The provincial police chief, General Made Mangku Pastika, says he reduced Brimob around Wasior and started negotiations through local priests for the return of the guns, offering legal immunity. Pastika has taken this pragmatic approach in other cases where confrontation would have led to more violence. If the killers of the police were in fact military allies, this might also help to explain why he chose to negotiate rather than risk a fight.

⁷ Indonesia: Resources And Conflict In Papua ICG Asia Report N°39, 13 September 2002.

Since the ICG report, interviewees suggest that whereas a warning to BP may indeed have been the reason behind the incident, there is a belief it was part of a struggle between army and police to control HPH security. There are concerns such turf wars may break out again, the principal parties fighting via their proxies—the local communities. There are immediate concerns that a similar outbreak of violence could be expected in Fak Fak concerning the HPH Prabu Alaska, from where foreign backers (*cukong*) have been arrested and jailed, awaiting trial.

Potential horizontal conflicts are encountered in the province and are expected to continue. In the village of Yoka, near Jayapura, there is a move to split it in two to facilitate wood extraction. The village is divided among those who want to sell their forest and those that do not. This is likely to cause conflict and is considered a small-scale example of what is happening in dividing Papua into three: divide and conquer local resources.

Concern that the OPM is benefiting from illegal logging appears unjustified. Overall there is the feeling that the violence over illegal logging is probably localized; Jayapura commands would not have the capacity to organize operations across the province. Profit cuts, however, probably get fed up chains of command among syndicates.

Like in Aceh, there are indications of collusion between the local separatist organization and elements of the army for mutual profit. Such ventures may lead to death as is the case of Korean hostages taken from the Korindo HPH two years ago. The military said the OPM took them and reports appeared in the press that the incident was intended to raise money to pay a bar bill. Either way, Willem Onde, a locally known OPM operative, started negotiations for hostage release. Yet there was already a level of disbelief in the area that the OPM had its own post in the forest not far from Kopassus; normally Kopassus would have attacked it. The disbelief became more apparent after the hostage release when Onde was, at his own request, taken to Jakarta to meet Megawati and on his return he walked away a free man. He was, however, later found dead—strangled, with his hair shaved off.

A-3.6 The Actors

Industry

The timber industry, established under the Suharto regime, was undoubtedly powerful and influential in Papua before the regime fell. The *Djajanti* group was strong in that period, known for putting concessions off limits to communities traditionally living in and around them. The potential for conflict such actions produced are now real. HPH are closing because of conflicts with communities.

The provincial NRM/USAID office suggests that timber conflict should not be viewed in isolation, but as part of general natural resource management issues. What makes timber different from other resources is that its exploitation is obvious. It demonstrates that Papua has developed as a politically directed economy where investment comes in either by, or through, TNI. Cases like the taking of community resources in Arso exemplify how government and security apparatuses have systematically taken over community lands, exploited that land and terrorized people.

Through timber exploitation and forest clearance, communities lose their resources. There is no obvious boundary between TNI theft and provision of security by clearing and holding land. This continues to foster horizontal conflicts between and among communities and vertical conflicts between communities and the government, including the security apparatuses. Government-proposed solutions like KOPERMAS do not address the unfair distribution of revenues; they create new problems and methods of unsustainable and unethical exploitation of resources. Overall, autonomy measures are resulting in reallocation of resources to new elites.

Official “good” investors now negotiate directly with communities and *kabupaten*. Yet government and security needs financial cuts, otherwise they will extend the time taken for paperwork, potentially to levels unacceptable to investors. Police and/or TNI will become involved in negotiations.

There are widespread concerns that if Papua does split into three regions, then provinces will look for new investors and quick financial returns. Natural resources will be quickly degraded and conservation areas will be wiped out. Social rights will continue to be ignored. Papua is seen by many investors as a warehouse (*gudang*) for exploitation. The Asian Free Trade Agreement (AFTA), effective since March 2003, will lead to more bad investors coming in, looking for quick profits and leaving little behind. Already there has been a rise in Philippine, Taiwanese, Malaysian and other businessmen to Jayapura and *Kabupaten*. NGOs fear they will reap profits with local government and security forces, and profits will leave the province(s). Local communities who see this will want to get what they can, while they can. This is environmental suicide for Papua with enormous social consequence.

Security Forces

In much of Papua, the security forces appear to be able to act with impunity. There is no other province in the country where the army is more strongly entrenched in control of resources with so little alliance to local government or political elites. Citing security concerns, the military is said to be able to clamp down on an area and enforce their own rules. In Dempta (near Jayapura) in the last three months, the Papua flag has been prohibited by the army and the Indonesian flag raised in numerous places. Local people must salute the flag or risk getting punched. There is no one to complain to, and no effective law to protect them.

The police and army are said to be mutually suspicious but with overlapping interests. Each branch, if controlling the resources in an area, reportedly will divide land among them. As elsewhere in the country, security forces can also raise money by taking tolls off trucks, charging illegal levies of US \$2.00 per vehicle. Companies can avoid this if they hire a soldier to ride in their cabs.

The Navy (TNI-AL) reportedly charges about US \$500,000 per ship of illegal timber to ensure it is not disturbed in transit at sea.

Government and Judiciary

Interviewees in the DPRD suggest that conflicts over natural resources can be divided into those based on politics and those on economics. The two are united, but different. They are rooted in the historical development of Papua, whose process has led to identity problems among indigenous peoples and little sense of responsibility.

No matter what conflicts occur in Papua, the victims are the communities. This is usually because whereas not land is empty, it is claimed by someone, and claims are traditional. Governmental allocations of land are by decree. The two systems clash. With decentralization, many branches and levels of government give permits allowing exploitation of natural resources. These are uncoordinated so overlapping claims result raising even further the potential for conflict.

Decentralization has led to increased authority among local governments (PEMDA), yet the PEMDA are weak because of a lack of qualified and experienced human resources. Furthermore, because branches of government have their boundaries, no branch has an overview of how to improve Papua’s situation, resolve conflicts and provide solutions to successfully attract investors.

With regard to conflict and timber, the Department of Forestry is meant to collect data and statistics on conflict concerning natural resources, but most data cannot be believed. There is a paucity of data and much speculation of how bad the problem is. There are many stories of other conflicts yet few are investigated. Yet whether the conflict is over timber or other natural resources, the basis for conflict is land rights.

The provincial government recognizes that elements of the security forces are involved in illegal activities, as is so often reported in the press. In Sorong, for example, the police manage timber operations and the navy smuggling. If the navy brings in, for example, hard liquor, they will stockpile contraband and sink their stores, then bring them to the surface and sell them when the time is right. They are thought to extort money from ships carrying illegal wood.

Bribery and corruption are common and closely linked to judicial corruption. The recent arrest of the head of forestry in Sorong is a current case in point. During a roundup of *cukong* (this related to HPH Prabu Alaska, mentioned above) by Jakarta police, the head of the local forest office, the *Kepala Dinas Kehutanan* in Sorong, was arrested for being involved in corruption and collusion. According to NGOs, this individual is notorious for his involvement with the illegal timber trade and ranks among the richest people in Papua. Following his arrest he was taken into custody in Jakarta, where DPRD members suggest he started negotiations for his release. Before long he was transferred to custody in Sorong. For what is strongly rumored to be a bribe of US \$500,000, he was released and the case “lost.” The *cukong* are still in custody and there is suspicion they will remain so until they pay up.

The local BAPEDAL (environmental impact agency) concurs with the DPRD perception of judicial and local government weakness. Those with resource extraction permits are meant to conduct environmental impact assessments (AMDAL) that take into account potential environmental and social problems, including conflict. Yet funding is limited; staff cannot even travel to nearby Arso, known to have social conflict and environmental degradation in part due to extractive operations that should have AMDAL. There are sparse conflict data from anywhere in the province and no means of collecting the information. Regarding Freeport, well known as an area of conflict and environmental degradation, government officials steer clear of being critical or getting involved for fear of losing their jobs.

There are two major aspects that will keep AMDAL, one of the best potential tools for legal prevention of environment damage and social conflict by industry and government, for working. Like elsewhere in the country, the AMDAL process is seen as a formality and rarely taken seriously. Secondly, AMDAL focuses on projects arising from permits issued from government on land that will have prior traditional rights (*adat*) claims. AMDAL thus legitimizes taking land from traditional communities.

BAPEDAL recognizes that it is too weak to have any likelihood of curbing industrial damage in areas of operations, and that even if it was strengthened, judicial corruption would make successful prosecutions unlikely. It feels that it must link with NGOs and others and use mass media to “name and shame” bad companies. Teams are being formed to make test cases involving provincial and district levels of government, and NGOs like WWF.

LBH and ELSHAM emphasized the problems with the judicial-business-military axis. Prosecutions over violence, illegal logging and any combination of the two are few because of collusion between branches of the civil and security apparatuses, in conjunction with a pliable and buyable judiciary. The excuses used for not reaching prosecutions are that TNI and the police have to follow “procedures” that are difficult to follow in the field in Papua, and that “certain” regulations block the procedures from working. The outcome of quick releases following arrests of *cukong* and others, leads to the belief that the law is used to extract payments to the security apparatus and judiciary. On one hand, legal instruments appear

weak. On another, the law is strong and misapplied, used in interventions by powerful bodies to control resources.

Press

In the Suharto era there were two papers for Papua, the daily *Cendrawasih Pos* and weekly *Tifo Irian*. The daily would not report incidents of violence and crime that reflected badly on security forces because of intimidation. Now dailies include the *Papua Pos* and *Timika Pos* of the Kompas group. Weeklies include *Jubi*, which focuses on analysis. Papers have become bolder in presenting information. Yet information about conflicts is limited and incidents are rarely followed up.

Conflict underreporting is rife and intimidation remains present, if lower key. Publications feel they have to be careful, especially because each month the provincial military commander (*Pangdam*) has a coffee morning in the office of one of the publications, circulating among them. This worries journalists. ELSHAM, in an attempt to distribute the information it has, regularly invites the press to meetings but has little luck in getting stories out.

Yet despite the weaknesses in the press, most interviewees expressed the view that given the current political and security climate in Papua, and judicial bias, mass media and freedom of expression would be the only way to make changes. Mass media campaigns are the focus, the only channel, for pro-reform groups.

APPENDIX 4 – NORTH SUMATRA (PORSEA)

PT Indorayon was established on 26 April 1983 in the area of the Sosor Ladang village, Porsea subdistrict, in the district of Toba Samosir (Tobasa), in the province of North Sumatra. According to the 2002 company report, pulp has been in production since 1989 with a capacity of 240,000 tons of pulp per year and 60,000 tons of rayon per year.

Wood supply is meant to come from pine plantations, yet much of the natural forest has fed the plant.

Since 1983, PT Indorayon has been accused of numerous environmental problems including river and air pollution, causing decreased agriculture production, and livestock and fish deaths. Disputes arose over the land the company took from communities, under questionable circumstances, for plantations. Protests were organized by communities and branches of local government. Direct action demonstrations caused the company to close in 1998 until December 2002. The plant reopened in January 2003 under the new name of PT *Toba Pulp Lestari* (TPL). TPL claims to offer a new paradigm for dealing with communities. Focusing purely on pulp and foregoing rayon, the more serious polluter, a six-point strategy has been laid out to:

1. Develop business partnership with communities;
2. Provide 1% from sales every year for scholarships, develop health facilities, train communities, and provide agricultural assistance including livestock and fisheries;
3. Prioritize use of local community members as workers;
4. Use environmentally friendly technology;
5. Utilize natural resources sustainably; and
6. Support the use of an independent party to monitor company commitment.

However, since 2003, up to 17 community demonstrations have taken place in Porsea, Medan and Tarutung demanding the company close. Communities have been intimidated. There is ongoing violent horizontal and vertical conflict, and company opponents have been jailed. This seems set to continue.

A-4.1 Conflict

The main reasons for conflict are community complaints about the impact the company has on their lives. These fall into six categories:

1. The main impact is on **agriculture, livestock and fisheries**, central to Toba Samosir life. It is the basis of their economy, culture and education. According to communities visited, agriculture, livestock and fisheries provide more than enough food on a year-round basis and provide sufficient income to send children to schools outside the area, including to Jakarta. Sending children to good schools outside the area is a great source of pride. Two communities reported that at the time of the interview (April 2003), rice cultivation was already affected by a disease that causes some parts of the rice plant to become red, causing no seeds to develop in the ear concerned. Others complained that the rice plant leaves are smaller than usual. Coconut trees are dying. In another community, there are general complaints about reduced rice, vegetable and chili harvests. Chili is normally harvested three times a year and the capital needed to produce it runs into hundreds of US dollars. There is a perceived loss of income and investment.

In some villages buffalo have died without showing any prior symptoms. As one farmer reported

“in the morning, the buffalo is fine and in the afternoon it dies with white saliva coming from its mouth.” This is reported from other villages. In one community, about 10 animals died. This causes great hardship as a mature buffalo costs between US \$400 and 600. In one hamlet, since last February, five buffalo died along with pigs. The latter are essential to traditional ceremonies. Carp are also affected. Some natural species of fish are no longer found. Old species of fishes are gone. If there is rain, fishes and their eggs die because of poisonous runoff in community perceptions.

When Indorayon operated in the past, about 100 buffalo died with the above symptoms in four villages. After it closed, the mysterious deaths stopped.

2. There are perceived impacts on health. Since the company restarted production in February, 2003, air pollution has caused headaches, stomach aches and respiratory problems. The interview team member and driver can vouch for this; the smell was bad and did induce headaches that lasted six hours after leaving the polluted area. The area polluted depends on wind direction. According to the community, if there are important visitors to the mill there will usually be no smell.

School teachers in one village interviewed stated that the odor has caused children to become dizzy. In one particular case one new student from another area collapsed for three hours while local students felt dizzy. The teachers stated that they felt the same.

During past Indorayon operations, many children became ill. Some stated that smells emitted from the company were like rotten eggs, lasting night and day. In the four years the company was closed, they have enjoyed the fresh air and better health.

3. In another village, community members stated that in the past they have had to change their zinc roofs every four months. The zinc sheets develop holes through corrosion. An example was seen in the village's old school (this has also been noted around some villages near the pulp mills in Riau).
4. Indorayon had huge environmental impacts. Communities noted that the mill devoured local forests and with those gone they can no longer make traditional houses. Even firewood is difficult to find and costs have escalated to Rp 60,000 per m³. On 5 November 1992 the plant's chlorine pipes leaked and caused heavy air pollution everywhere around Porsea. Thousands of people went to other towns in a panic. Hundreds of livestock, pigs, chicken and cattle, died⁸.
5. With the logging trucks running again, some food and drink stops also supply prostitutes. This has become a community concern.
6. **The most pressing issue is the militaristic approaches used against the community.** In the past and at present communities are traumatized. Company actions are causing human rights violations. There is no feeling of security. BRIMOB spreads terror by patrolling in villages and showing off guns, kidnapping, beating and arbitrarily arresting villagers. There are perceived to be many spies in the community, causing further trauma.

⁸ Manurung, 2003:7.

A-4.2 The Pattern of Conflict

Since 1993, 125 people have been arrested and detained between two days and four years. About 50 people have been hospitalized. Eighteen have died and five were crippled. More recently, on 21 November 2002, 16 people were arrested in Tarutung by police officers⁹ after a protest became violent.

On 6 April 2003, there were further violent outbreaks when community members laid *ranjau*, consisting of nails arranged to puncture truck tires and others threw stones at trucks. Night terror actions were conducted by security forces in Sihiong, Lumban Logu, Silamosik, Siraituruk, Lumban Kuala, and Papareyan. In Lumban Kuala, Simpang Tiga and Lumban Gurning, areas along a road to the company site, they confirmed BRIMOB shot into the air. In Simpang Tiga alone, 20 shots were fired. Houses were kicked. Two people were beaten. Benny Sitorus from Siraituruk was beaten with bamboo on his left leg and he now has difficulty walking. Lundun Doloksaribu was abducted in Sihiong at 11.30 p.m., and taken to the police office in the Lumbanjulu area and hit by a pipe to his legs, chest and head.

The people behind these abductions/kidnappings are not identified with any certainty in this report. There are no incidents of people taken and killed. Pastors usually “locate” victims in the police stations (*Kapolsek*) of Porsea or Lumbanjulu after a day or so. Victims do not want to say who took them.

According to one community, acts of terror occur monthly. A woman stated that she has no fear of guns or shootings since she has long experience of them in the past. In a certain hamlet, the community left their houses and fled to the forest because of insecurity. As early as 5 a.m., security forces with guns and wearing civilian clothes would enter houses.

As a result of community fears, the company has offered a foundation that will manage US \$500,000 a year for community programs plus a 1% share of company net sales. Additionally, millions of US dollars per year would be offered for community businesses around Porsea and jobs for 5,000 workers.¹⁰ The company further apologized for past incidents. Yet communities state that they do not want money, they just need their clean air, good quality agriculture, fisheries and livestock and to feel secure. They also add that since the offer, the odor is still present and agricultural products remain affected. Some of their relatives remain in prison.

The local government supports the company. The district head stated that there are only a small number of communities who want the company shut down. He had five truckloads of other community members that support the company reopening. Yet sources stated these were paid US \$4 to \$5 a day per person to attend. They came from communities who live far away and do not experience any plant impacts.

The local parliament met on 1 March 2000 and made a decree (*Surat Keputusan*). They stated that they are pro-community and asked the central government to close the company. However, they are silent about the 16 jailed community members.

A journalist from the Australian Associated Press, following up the Porsea story, provided the following information in Table A-4.1. Fourteen of the 16 have been sentenced and the rest will be sentenced very soon.

9 Seputar Nusantara, 58 edition, IV week Des 2002-11 January 2003; Manurung, 2003:8.

10 Tempo, 16 February 2003.

Table A-4.1. Sentences of Those Arrested November 21, 2002

Person	Sentence
Priest Midup Sirait	1 year 4 months
Mangaran Sirait	1 year
Elma Parulian Ambarita	1 year
Rio Dolok Saribu	1 year 6 months
Artha Manurung	1 year 6 months
Priest Sarma Buru Siregar	6 months
Pita Boru Sirait	6 months
Toba Butar Butar	6 months
Manombang Dolok Saribu	2 years 8 months
Madon Sitorus	2 years 4 months
Denget Manurung	2 years 8 months
Gopas Tambunan	2 years 4 months
Charles Sirait	2 years 8 months
Fransisco Sitorus	4 months
To be sentenced	
Musa Gurning	5 years asked for
Krisman Sitorus	1 year asked for

Verdicts vary from four months to three years, the variation is because the defendants included children, mothers and Islamic *ulema*. Ten defendants have submitted an appeal. Six have accepted their sentences as they were short. Charges were for destruction and incitement; ultimately to clear the way for PT TPL to operate. The reason for the arrests was the destruction of the subdistrict office. Stones were thrown and 18 were initially arrested. Two were released who were civil officers there for other duties, not demonstrations. The litigant was the *Camat* of Porsea. On the day of the interview, demonstrations were still planned. On 24 March 2003, 3000 to 4000 people were expected. Demonstrations are called for twice a week, usually Tuesdays and Saturdays.

A member of the provincial parliament has also asked that the factory be closed.¹¹

Team interviews indicate that in the beginning of the struggle between communities and the plant, many Protestant pastors supported the movement. However, since a pastor and his wife were arrested and HKPB churches stated that they were acting individually, many Protestant pastors have become fearful of involvement and some are said to have moved away.

On 6 February there was a demonstration demanding that TPL close down and that the 16 people who were arrested be freed. The demonstrators said that even though they are still planting rice they expect harvest failures. Many women gave speeches. There were five nuns and two pastors from the area. The women have written songs saying “*we were kicked for the sake of Indorayon, we were hit because of development.*” After their demonstration, many experienced further terror by security forces, again including abduction.

A-4.3 Recent Incidents

- On 28 February 2003, 1,000 students from Porsea boycotted schools (including SLTP 1 Naraimonda Porsea, SLTP 2 Sirait Uruk, SLTP Lumban Lobu). They stated they cannot go to school and eat if agriculture products are polluted by TPL. They demanded TPL close.

¹¹ Sumut Pos, 8 March 2003, p.22.

- On 16 March 2003, Hermansyah Manurung was hit by security forces in Lumban Huala, Porsea; statements from the police detainees indicate that they were subjected to violence while in the police station.
- On 6 April 2003, Benny Sitorus was hit with bamboo by an intelligence officer.
- On 7 April 2003, Anto Sirait, 19 years old, was arrested. A witness said he was dragged from his car by his hair in the village of Sibadihon before being temporarily abducted. He was suspected of laying *ranjau*.
- On 7 April 2003, Johnson Sembiring, an intelligence officer from the Kapolres Lumbanjulu police station, admitted that his staff arrested Anto Sirait without a required warrant—the police stated that finding four *ranjau* and one arrow on him was sufficient; according to Anto, the head of the village paid him Rp 200,000 to use them, an assertion that the village head denies.
- On 7 April 2003, Lundun was abducted by security forces and hit on each knee five times, hit on the head with a belt, and struck multiple times in the chest.
- On 7 April 2003; Tonggo Sinurat and Sarikun Sinurat were abducted at 2 p.m. in the afternoon and were freed at 8 p.m. by Pastor Silaen.

A-4.4 Actors in the Conflict

Actors in the conflict include communities, companies, NGOs, government branches, university students, Catholic priests and nuns, and Batak Protestant Churches.

Communities

Communities are divided between those who agree and disagree over closing the company. Those who agree with closure are divided into two groups. One wants peaceful protests. The other wants direct action, feeling that peaceful protests do not yield results.

Those who disagree are individuals and families of those who work in the company and those who benefit from company business, e.g., transportation and other needs. Another is community groups who live away from Porsea and do not suffer the impacts of those living near the plant.

Both sexes support the protests, but especially women. Women are acknowledged by men as having more courage in their actions. In demonstrations, women stand or sit near police or BRIMOB while the men watch from a distance. Many women give speeches in demonstrations. In the villages, on some occasion the kidnappers could not take the victims as a result of women's actions; in some villages they perform night guard duty.

NGOs and Churches

Suara Rakyat Bersama (SRB) or Voice of the People is a community organization in Porsea. Their members are villagers from around the area who work together with students against the plant. Their former head, Musa Gurning, was arrested and is still in jail as a result of the subdistrict office incident, threatened with a five-year jail sentence.

The most active parties in the front line are university students and Catholic priests. At the time the area was visited by the team, they were the parties acknowledged by villagers as allies. The university students assist communities who have experienced problems with the company. Their house has become a center

for community complaints. They organize community actions and document any human rights violations, checking community reports in the field.

The second most important actors in this category are priests and nuns. They are always present in any community demonstration, acting as human shields to mitigate violent police action. They accompany police victims to prisons and often act as mediators in their release. Usually if they hear of community reports of kidnapping, terror and torture they check the field and look for where the villagers were taken. It is important to note that the area is only 5% Catholic, with 92% from the Protestant Church and the rest from other religions. The Muslim and the Protestant villagers acknowledge Catholic involvement is important. The priests and nuns say the reasons they act is that they can fully see why communities are concerned about their agriculture, livestock and fisheries. They support basic standards of human life, and they acknowledge the air pollution gives them headaches too. The nuns used to accompany women villagers in their demonstrations to prevent, as far as possible, violence from the police and BRIMOB.

Local NGOs are important supporters of protests.

Government

The subdistrict head of Porsea is an important pro-company actor. She had promised to ensure that no resources would be allowed to enter TPL, that BRIMOB would cease shootings and that all TPL-related prisoners would be released. She did not keep her promises and on 20 November 2002, the community protested. Stones were thrown at her office. Some reports say significant damage was done, others that only one window was broken.

Media

The media in North Sumatra, according to activists, students and catholic priests, have taken sides. Only *Sumatra Post* and *Fortibi* put articles critical of TPL in their newspapers. Using the example of the shooting of an elderly lady (16 March 2003), the story was reported in the new and pro-people *Fortibi* (1/3 page) and *Sumut Pos* (1/8 page), but not in the older, larger circulation and pro-government and Indorayon/TPL papers, *Sid* and *Waspada*.

Elshinta radio in Jakarta broadcasts the Porsea incidents and phones the police for confirmation. A benefit is that *Elshinta's* broadcasts contribute to transparency about activities in the Porsea area, leading security forces to think that their actions are known nationally.

Security Forces

BRIMOB are stationed at the company site. Eyewitnesses state they terrorize communities by firing their guns, screaming, knocking community houses about at night, and kidnapping villagers. They also cruise villages in their car in full teams, armed and uniformed. They are violent during demonstrations.

Police intelligence officers are police without uniforms. They accompany company trucks loaded with timber or other company equipment. They reportedly kidnap and arrest community members from their houses without warrants.

The police are also based at the TPL site and kidnap and arrest villagers while in uniform.

A-4.5 Other Impacts of the Conflict

The impact of this situation is tension in community relationships between those for and against closing TPL. Men and women state that they do not know who friends and enemies are. In some cases, those who work in the company have been asked to leave their village. Some have been expelled from *adat*. People on one side of the argument will not attend the feast or parties of the other. Suspicions among communities are high; there was a case when a woman was suspected of supplying information to the police and was hit by another. There is also a fear that a person could be labeled a traitor, “*penjilat*,” to the community. A teacher in one community stated that a student might feel obliged to go to demonstrations, otherwise parents may fear they will be labeled traitors and their houses burned. Yet because demonstrations do not appear to be yielding results, there is reluctance among some to attend.

A-4.6 Future Conflict

There is no mediator or facilitator between these community groups. This is also NGO concern that demonstrations require community time and energy and different strategies are needed to effectively protest the plant. If effective strategies are not found, then protestors who disagree with peaceful action increase and there will be retaliation with more terror, kidnap and arrests than currently experienced. More victims of police and BRIMOB will make compromises and peace will become more elusive. Conflict may escalate since there is no one who can control community anger and response. *Bakumsu* has already tried to prosecute the police but lost.

The culture of the Batak people may make it likely that they will continue to press on determinedly without doubt.

A-4.7 Solutions

- Communities say there are two solutions: the company must close or the people move out.
- NGOs think they have to be more strategic in their advocacy.
- Churches think TPL has to be closed and the government asked to restore order and feelings of security in the area.
- Solutions are needed at multiple levels, from communities to international action. At the community level, awareness needs to be raised on the risks of any actions taken, of law, rights and access to lawyers if questioned by the police or others. There is a need to mediate between those who agree and disagree with the company in order to strengthen the community. If they fall apart and fight all will lose.
- The company should be lobbied to resist using violent approaches, and to question it on how its “new paradigm” matches reality. Small steps to compromise, if available, should be sought.
- There is need for thorough research conducted by independent parties on the true causes of the issues perceived in agriculture, livestock, fisheries, air and water pollution. The results need to be transparently made available to communities and the company.
- The case of the 16 prisoners needs to be assessed by independent parties as well as human rights violations by police and BRIMOB. Those who have violated human rights should be put on trial.
- At the national level, campaigning and lobbying are needed.
- At international level, the NGOs and students involved in this issue need to sit down and discuss their findings with international colleagues who have experience with the other mills, RAPP and Asia Pulp and Paper (APP) in Riau. They will need to locate buyers and creditors of TPL and lobby them to stop purchasing and lending until human rights issues have been addressed.

APPENDIX 5 – RIAU

Riau is one of the most natural resource-rich provinces in Indonesia, standing alongside Papua and East Kalimantan. The province has many forest concessions (HPH), industrial plantations (HTI) and two giant pulp and paper mills, Indah Kiat, belonging to the *Sinar Mas Group* (SMG) and APRIL, belonging to the Riau Andalan Pulp and Paper (RAPP). The province has also been developing oil palm plantations over the last decade. The government sees these as “development” that will bring prosperity. Yet communities find outcomes are different from expectations. Much of their traditional land is no longer regarded as their property. Agricultural areas are reduced. Wildlife becomes increasingly a pest problem as animals are driven out of their habitation, being cleared for plantation initiatives.

The province’s spatial planning is problematic because land permits, for whatever purpose, do not consider land claimed by and needed for communities to live, nor take into account population growth. Planning maps come from desk-based exercises that are of limited use on the ground. Government institutions have different mapping standards. For instance, the National Land Agency implements maps standardized by the Coordinating Body for Survey and National Charting Development board (*Bakosurtanal*); the Ministry of Forestry applies maps normalized by *Tata Guna Hutan Kesepakatan* (TGHK) and the Ministry of Transmigration uses Regional Physical Planning Project for Transmigration (RePPPRoT) maps. None are sufficiently ground-truthed.

Conflict between maps has resulted in conflict on the ground. Timber concession and plantation base camps have been burned in HPH and HTI. Militaristic responses result. These were common in the Suharto era and continue today in a variety of forms.

Decentralization has brought about problems around natural resources because various district heads issue land permits intended to raise regional income. However, income favors personal interests instead of the region. Legislators of the local parliament “sell” natural resources, particularly timber, for their own benefit. Decentralization has strengthened their ability in this regard.

The formation of new *kabupaten* has sparked new problems which negatively impact natural resources. As a result, the protection forests of Suligi, Mahato, Bukit Batabuh, Tesso Nilo, Keruntan and other conservation areas have been devastated due to uncontrolled clearance. Impacts undoubtedly contribute to the massive flooding that Riau suffers, losses in income and livelihoods. Last year 50,000 people were estimated to have been displaced by floods during seasonal rains.

Inward migration increases potential for conflict; there is no land for newcomers. Migrants from Aceh, including refugees from that province’s conflict, maintain livelihoods by extracting timber. Those from North Sumatra vie for land to develop oil palm. This may trigger social jealousy among the Malay people since the migrants seem to develop their economies much faster than more established locals. This is further exacerbated by cultural and religious differences.

There have been calls for independence for Riau given the central government has taken most of the province’s incomes. The province wants fair distribution and the independence movement is largely limited to a few intellectuals.

A-5.1 Timber Conflict in Riau: Actors and their Roles

Various actors from all sectors across province, district and subdistrict governance levels have taken part in the illegal logging. They include government officials, security officers, private businessmen, villager communities and respected *adat* figures. The village communities get smaller revenues than the other, larger, actors. However, many are happy to be getting something rather than nothing.

Table A-5.1. Various Actors and their Roles

Actor	Roles	Modus	Location	Notes
Batin & Ninik Mamak/Adat Chief and relatives	Selling forest and land Taking fees from timber	Negotiating directly with the buyers Negotiating directly with the capital owner Luring investors Building tolls for fee extraction Establishing foundation, cooperation	Subdistrict, capital of <i>kabupaten</i> , province	More often the capital owners come to the chief Negotiation and transaction usually held in a hotel Timber fee rarely goes to wider community
Sub district administration officials (chief, secretary)	Selling land, forest Taking fees Getting rent fees from companies/sawmill	Negotiating directly with buyers Negotiating directly with the capital owner Luring investors Building tolls for fee extraction Establishing foundation, cooperation	Subdistrict, capital of <i>kabupaten</i> , province, hotel	
Well off people in the village	Investor	Facilitating timber workers by providing equipment and money and collecting timber from workers	Subdistrict, capital of <i>kabupaten</i> , province	
Community	As worker	Timber business	Subdistrict (forest)	More often funded by boss
Babinsa/Polpos Village level police	Asking fees from timber businessmen Opening small scale timber business	Approaching timber businessmen Posting subordinates or worker representatives Building tolls for fee collection and assigning someone to take the fee from passing log vehicles	Subdistrict where they are on duty	Police assistant to the national police
District Officials (district administration chief, sub precinct police chief, District Military chief)	Should keep security Extorting money and getting fees	Extorting money indirectly from the bosses or subdistrict administration chief Sub precinct police chief and subdistrict military chief usually get fees from their staff members who are on duty	District administration	

Actor	Roles	Modus	Location	Notes
Forestry Field Officers (PLP)	Extorting money	Extorting money from timber bosses while wearing uniforms of authority	Subdistrict and district administration	
Government institutions for forestry	Making use of their authorities and position	Fee collection from issuance of IPK permit and transportation documents Demanding compulsory fees from timber businessmen	District	
Civil servants in the government institution for forestry	Forming timber businesses Abusing their duties and authorities Extorting money from timber bosses	Funding subordinates or other staff to work in timber Selling and buying transportation certificates Field officers and land owners often exaggerate the potential of areas when there are field checks for IPK (clearance) permits Compulsory fees from timber bosses	Field, <i>kabupaten</i>	Rarely recognized by superiors The distribution of extorted fees is based on rank
District heads	Taking advantage of his authority and position	The process of signing approval for the issuance of IPK permits Compulsory fees from timber businessmen	<i>Kabupaten</i>	It is hard to prove how much fee a district head gets from his approvals
Local parliamentarians	Getting profits for their own benefits	Opening businesses in timber including transportation, timber trading, and sawmill. Pressing the <i>Bupati</i> to issue IPK permits for their businesses using their authority	District	It is very rare to deal directly with the <i>Bupati</i> ; most parliamentarians assign middlemen to work this side of business
Police Precinct, Military District Command	Security service Timber business	Getting compulsory fees from timber bosses Timber business (placing subordinates, sawmill investment) Making cooperative joint with the investors by making benefit of their uniforms and positions.	Subdistrict and District Administration, District	Usually run by their subordinates

Actor	Roles	Modus	Location	Notes
Provincial Forestry Office	Making use of authority and position	The issuance of IPK and forest concession permits inter <i>kabupaten</i> Issuance of documents for log transportation Compulsory fees from timber bosses	Province	The fees are distributed by subordinates in an attempt to make fair distribution
Governor	Making use of authority and position	The issuance of IPK and forest concession permits inter <i>kabupaten</i> Compulsory fees from timber bosses	Province	The fees are distributed by their subordinates in an attempt to make fair distribution
Local police and military commands	Security service Timber business	Opening timber business (placing subordinates, investing in sawmills) Selling confiscated timber to sawmills	Province	The fees are distributed by their subordinates in an attempt to make fair distribution
Company/Employee	Taking part in timber business	Colluding with others to sell timber Selling timber from land clearances for their own benefits Collecting illegal wood	Various levels	Far higher profits due to the immunity from normal company expenses in processing wood
Investors or bosses (local/migrant)	Timber business	Cooperating with land owners and subdistrict administration, <i>adat</i> chiefs Dealing, persuading and bribing the authorized officers to smoothen their businesses particularly in conjunction with the issuance of IPK permits, related document and timber invoices	Subdistrict and District administrations, Province	

At the provincial level, the forestry office has an important role in the issuance of:

- Timber clearing permits (IPK),
- Log transportation permits (SKSHH), and
- Forest concession (HPH) permits.

According to an official dealing with permit issuance:

- The minimum cost for a SKSHH is US \$50,000, which varies depending on the size of area being harvested and timber potential. Costs for each are reported to be normally marked up.
- Forest Rangers who should be enforcing forest law and arresting illegal loggers instead trades in SKSHH use their positions to extort money.
- The governor's office receives extorts money from business wanting permits signed.
- Police and military command charge for security services. Additionally, some of their personnel run timber businesses like sawmills.
- Police extract tolls from numerous checkpoints that stop log trucks. Alternatively, companies can pay for police officers to escort timber deliveries; a system favored by large investors (in North Sumatra BRIMOB trucks have been noted to be carrying a lot of timber to Medan from Aceh).
- Security force personnel may work directly for timber companies. The military, in places, back up the timber business networks and like the police escort the timber delivery. In some islets (Riau has numerous islands and islets around its coast), the navy and its primary cooperative (*Prinkopal*) escorts timber deliveries at sea (piracy is well rooted in the Malacca straits, between Riau and Peninsular Malaysia); some naval personnel also are timber bosses.
- Security forces are hired as security. Sawmills usually provide payment to the police precincts and sub precincts, and to military commands.

At the district level, forestry officials, district heads and local parliamentarians have direct and indirect roles of importance. The forestry office serves as the government institution giving technical recommendation about potential forest exploitation areas. It has the authority to issue *kabupaten* level permits. Some officials every month inspect field operations and use the opportunity to ask for money from investors. There are also officials from the provincial forest office in the capital of Pekanbaru known for their fondness for extorting money from sawmills. The sawmill businessmen also give out monthly fees for police officers and noncommissioned law enforcement officers posted in villages and hamlets. Some local parliamentarians own sawmill and play important roles in illegal logging to maintain supply. Local parliamentarians can pressures district heads and forestry office to issue permits in their favor; it is not lost on district heads that parliamentarians can vote them out of office.

Other branches of district government have small roles, if any, in illegal logging. The government administration may receive payment from village heads that they receive from illegal timber trading. Subdistrict police chief and military commands get payments from personnel on duty in the villages, safeguarding those removing timber.

At the subdistrict level, traditional law chiefs, subdistrict heads and communities can play roles as small bosses or small-scale investors. They run chainsaw operators and their assistants, loading operators, lift operators, and extract income from their work. They explain the rationale for their involvement as "they will get nothing if they don't get involve in business". Some state that if they do not remove remaining timber then migrants will.

Traditional law chiefs' charge both local and outside businessmen fees. The size of these depends on the m³ of timber available and timber quality. Chips timber, SBS, is measured by its tonnage. All chiefs' and village elders lure investors, negotiate directly with them and establish logging areas.

Village heads can also be small-scale timber bosses, trading timber with other parties. Others receive payments from sawmills. The subdistrict head can also negotiate directly with investors, lure them, build tolls for illegal levy extraction and establish institutions or cooperatives for logging. They also can negotiate directly with timber buyers.

Well off villagers can facilitate timber workers by providing equipment, money and accommodation, as well as timber storage. Logging can be based on these local investors or outsiders. When outsiders are involved, they may ally with village elites in joint ventures and profit sharing.

Migrant communities play important roles as large and small-scale investors, lift, buffalo and loading operators. The big scale investors consist of local Chinese and Malaysians investors. Three types of local Chinese are recognized locally; Riau islanders, West and North Sumatrans. Communities interviewed suggest islanders are the most reliable as they never break promises. West Sumatrans are decent and North Sumatrans the worst.

Timber companies have roles at all levels. Companies usually purchase timbers from illegal logging operations. They may deny this, saying they had purchased timber with legal documents so it cannot be categorized as illegal. However, timber origins may be obscure and even have come from protected areas. There is no effective monitoring. Company staff may engage in collusive practices, trading in timber from land clearing and keeping profits to themselves.

A-5.2 Case Study – Timber Conflict in Situgal

Conflicts occur between community leaders, community leaders with ordinary people, community leaders with migrants and community leaders with migrants and companies. In addition, there are more between ordinary people, migrants and companies, as described in the following table.

Table A-5.2. Timber Conflict in Situgal

	Community Leaders	Ordinary People	Migrants	Companies
Community leaders	Adat chief extorts fees, village heads disagree over territorial borders	Lack of confidence in village head and assumption he is involved in corruption and collusion	Village heads seen as unjust	APRIL pulp mill cleared new areas and broke promises to give out fees to the village head
Ordinary people	Fees kept secret and not distributed. Village head accused of accepting bribes for land taken by APRIL pulp mill.	Timber and honey tree theft	Migrants cut the honey trees Clearing too much land Clearing land without permits	Companies seizing community property Communities forbidden from taking timber form investors land Situgal and Lubuk Kebun communities burn 6 APRIL camps. Company deploys security guards, other employees and militia guards PT Nanjak Makmur cut honey trees, compensated with Rp 20 million
Migrants				Banned from taking timber in APRIL areas concessions In 1998 – 1999 APRIL confiscated the community’s chainsaw suspecting timber theft

	Community Leaders	Ordinary People	Migrants	Companies
				Migrants loot illegal logging investors assets and sawmills
Companies				Intimidation toward illegal logging investors who decline to sell their timber to APRIL. If they sold to Indah Kiat, APRILS competitor, APRIL would report illegal investors to the police.

Community Members

Problems have been caused by territorial disputes, for example, when one party marked trees for felling, only to be felled by another without permission. Brawls ensue with serious machete injuries resulting. Similar incidents have happened after sacred honey trees were felled, despite prior knowledge of fines for such infractions. This sort of incident is blamed on the fading of customs and tradition.

Local Elites

The village head was jealous of the traditional law chief because he was collecting timber fees, paid by the m³. In the Suharto era this would not have happened; the village head was the one to resolve disputes and chiefs were not important. Now the chiefs can be more important than the village heads, even if they are working for their own personal interests.

Each traditional law chief has territorial boundaries. Disputes have occurred when one chief lured an investor to operate across three territories but did not share revenues with the other two.

Community Members and Leaders

The relatives of the traditional law chief protested the fact that income from fees from forest clearance by investors was not transparent. Worse, the chief was not sharing fees evenly with the real landowners. The APRIL mill company also caused the problems in the village. The community felt APRIL had bribed the village head for disputed land managed by the company. In Gondai, when the *adat* chief (above) also had conflict with community members when they found out about his luring of an investor in secret.

Community and Migrants

Forest clearance for agricultural or plantation without permit from the village head and traditional chief can cause conflict. There was an incident when three honey trees were cut down by migrants from West Sumatra who then fled. The timber they cut was confiscated by the community, which became angry at migrants long residing within the community, yet who had cleared about 4 ha of their forest; while locals rarely clear as much as one ha in one area.

Community members logging on community owned lands are always worried about encountering migrant timber looters.

In the community of Segati in 2002, three migrants were mobbed and immolated for stealing heavy equipment.

A-5.3 Communities and Companies

In April 2002, the community had claimed and cleared a plot of land but APRIL bulldozed it and made a road. In anger, on April 15, 2002, about 50 local people from Situgal and Lubuk Kebun set ablaze six camps belonging to the company. On April 16, APRIL deployed about 180 security personnel of the company and militias, recruited from nearby communities. 50 were paid on a daily basis to fight against the Situgal residents for two weeks. The Situgal people were reluctant to fight. The community demanded compensation but to no avail. The community asked for two hectares of rubber plantation for each family but there was no follow up, despite the fact that the community representatives had held meetings at the district chief's office.

A local resident of Gondai was accused of destroying APRIL equipment and disturbing company operations. The community could not help him and hoped he would be subject to due legal process. Instead the company used four bulldozers to demolish his house, accompanied by a support deployment of the 100 security personnel on October 29, 2002. They brought sharp weapons including chainsaw chains, machete, sharpened stakes in three trucks and an ambulance. To this day the community remains traumatized by this attack.

In 2002, local youngsters of Gondai smashed the windows, desks, and chairs of an RAPP local office to protest that no locals were accepted into employee recruitment programs. The community reported to the police, reconciliation took place and the youths apologized.

At Lubuk Kembang Bunga, the community claimed an area also claimed by APRIL. The local community took six cars "hostage" in September 2002. RAPP deployed its security personnel. An ensuing brawl resulted in one injury. One person was arrested, alleged to have provoked a riot.

A-5.4 Between Migrants and Companies

In 1998 and 1999, APRIL confiscated chainsaws and felled wood from a migrant community suspected of stealing APRIL timber. The migrants also looted illegal logging investors' assets including a sawmill.

A-5.5 Among the Companies

Local informants stated that illegal logging investors would be intimidated by APRIL if they declined to sell timber to the company. The investors would be raided by the police if they sold timber to its principal competitor, Indah Kiat.

A-5.6 Secondary Conflict

Causal factors for secondary conflict appear to include:

- Migrant influx,
- Land disputes,
- Displaced wildlife becoming agricultural pests,
- Ethnic clash, and
- Clash of political elites.

Migrant Influx

Many migrants have come to Riau from Aceh and North Sumatra. Refugees from Aceh, of Javanese ethnicity, usually arrive in miserable condition. They buy plots of land from locals and start to make a living.

Some locals protest against newcomer settlements. Migrants have been kidnapped and tortured in the Sakai district. Some locals have been forced to move to other locations.

In the village of Bukit Kapur migrant Bataks got into a dispute with other migrants from North Sumatra over timber areas each wanted to exploit. Batak timber bosses burned the house of the village head. He was crippled, his son died in the fire and his wife was traumatized. The Javanese community, in revenge, immolated those they suspected of the fire.

Wildlife Becoming Agricultural Pests

Following uncontrolled deforestation, wildlife has become an agricultural pest problem. Elephants eat up thousands of hectares of community gardens. In Pangkalan Gondai, elephants and wild pig destroyed 200 hectares of palm oil plantation since they lost their forest habitat. Tigers have attacked and killed humans. Monkeys have been forced to eat rubber tree bark. As agricultural production decreases because of these issues, thresholds for conflict may lower.

Land Disputes

Pulp and paper companies and forest concessions have taken community lands. Compensation for land has caused communities to dispute borders in attempts to claim available funds.

Nearly all villages overlapping lands planted for APRIL (RAPP) and Indah Kiat (APP) have conflicts with them. Human Rights Watch has reported APP conflicts in Betung, Angkasa and Mandiangin, in which hundreds of people equipped with weapons attacked three villages, raided locals residences, injured nine and abducted 63 people. The mob came in trucks and ambulances together with plainclothes security officers and field officers of APP in mid November 2000. These cases were resolved by APP joining traditional ceremonies and giving US \$100,000 in compensation to the victims and traditional law chiefs. Yet not all locals have received their share of the compensation from those responsible for distributing it.

Local community complaints about the pulp and paper companies arise from:

- Loss of forest that served as an economic resource supplying rattan, fruit and sacred honey trees;
- Planting of *Acacia* plantation has caused irreplaceable loss of wildlife;
- Contamination of rivers and reduced flows due to logging waste, which also reduces fish stocks;
- Community development approaches not based on needs;
- Communication restricted to company representatives and community elites, without involvement of the broader set of community stakeholders;
- No communication during disputes;
- Length of time required to achieve resolutions of these disputes;
- Decreased community land;
- Militaristic approaches;
- Use of community members as forest security guards; and
- Cultural loss.

Many human rights violations go unreported in the mass media; information about them is only available from villages.

Ethnic Clash

Malays and West Sumatrans dominate the bureaucracy in Riau, while Chinese and West Sumatrans dominate the economy. Other ethnic groups have been de facto excluded. In consequence, tensions have been rising among ethnic groups. These developments should be monitored, especially the rise of Malay paramilitary groups in various places, and the *Pemuda Pancasila* militia organization dominated by the ethnic Minang.

A-5.7 Riau: Locally Suggested Avenues for Timber Conflict Resolution

Riau has great conflict and the potential for more. Social jealousy will probably emerge as a principal motivator in coming years when many more migrants come and manage to earn relatively better livelihoods than locals.

Thus far no organization strives to prevent potential conflicts from becoming real ones. Both government mechanisms and religious leadership have fallen short in serving as a communication bridge to prevent religious or ethnic conflicts.

The government is too weak to cope with existing conflicts. It has failed to analyze the causal factors of conflict in a way to enable officials to formulate policies to relieve the poverty that makes conflict ever more possible.

Some suggestions have been formulated to address timber conflicts. The forestry office apparatus has suggested joint commitments to deal with timber mafias. Yet every team that was supposed to work on “mafia” eradication has always failed because of “information leakage.” Mafia members learn beforehand of field inspections, which in consequence, have generally done little to discourage mafia operations.

Another suggested approach has been to publicize cases in print and electronic mass media organs so as to “slap faces” and shame illegal actors. Such actions could encourage dialogue among principal actors in these disputes. Observers also consider that land boundary issues must be addressed to defuse future conflicts.

Security forces should have legal warnings issued to them, and circulated in the mass media and other public venues, from the Ministry of Defense to report any illegal practices committed by their own personnel. The House of Representatives should hold an informational hearing on forest related laws; as many legislators seem ignorant of this legislation. To discourage shipment of illegal timber to neighboring countries, it will be important to negotiate further bilateral arrangements and regulations to ban such practices and design proper, effective enforcement mechanisms for these agreements.

It is also important to think of how to cope with potential secondary conflicts by making policies addressing migrant influx. Such policies should reserve adequate areas for local communities to ensure they too can prosper, as well as migrants, and thus remove one frequent source of lethal conflicts.

More crucially in the short term, government should carefully review the role of forest concessions and pulp and paper companies. Such reviews should determine, in light of the negative human and environmental impact concessions and mills generate, whether and how both might be better managed so that they contribute to the Indonesian economy without imposing undue costs on local communities.

APPENDIX 6 – JAVA

At the time of writing, PT *Perhutani*, the parastatal company with monopoly rights over most Java teak, is in the news for corruption.¹² Officials are implicated in US \$4.8 million case. A MOF spokesman reported that evidence had been uncovered months earlier. No action was taken as the company's financial affairs were under the Office of the State Minister of State Enterprises. The case was about funds being requested and allocated for a project that never took place. The sum involved was close to the amount said to be needed to rehabilitate 30,000 hectares of destroyed forest in Java.

Employees reported top management to the police, including the *Perhutani* president, Marsanto, and close aides. Yet a *Perhutani* official is quoted as doubting the police would question Marsanto, as he had bribed senior police officers.

Perhutani manages 2,600,000 hectares of forest in Java and Madura. These include extensive teak plantations, whose highest quality timber can fetch US \$1,200 per m³ on world markets. Yet the company is on the verge of bankruptcy with net profits falling year by year. Corruption has been rampant and *Perhutani* estates looted. In 2002, the company's unaudited net profit decreased to Rp 140 billion from Rp 252 billion in 2001. Forests in Java and Madura total 2.9 million hectares, of which 2.6 million hectares fall under the control of *Perhutani*.

Perhutani's estates have a history stretching back hundreds of years. Land tenure problems have persisted over the centuries. During the Suharto era, community claims could be ignored as the company and security forces could largely keep people at bay. Community support programs were not well run, with decisions being taken in Jakarta with little respect for conditions in the field and the rights of those living there.

With the fall of Suharto and the beginning of political decentralization the company's power weakened dramatically. Military units formerly deployed in Java and Madura seem to have been dispatched to more restive provinces, leaving a power vacuum around the timber estates. Both small scale thieves and large, organized, gangs looted the estates with ever rising frequency.

The gangs in question sought to meet demands for timber communicated by middle men representing the industrial bases in Semarang and Jepara. Middlemen come from a range of backgrounds, reportedly including military, *Perhutani* and local government officials, *Perhutani* contractors and local business people in general. Logging gangs are sometimes themselves based in villages. When logging away from their home villages, they create associations with communities there and work with them. Local economies are doing well while the timber estates are being stripped at rates that may leave them fully devastated within the next few years.

The level of looting peaked during the end of the Gus Dur administration. Since then, and apparently because of the pro-security slant of the current Megawati Sukarnoputri administration, security forces are regaining control from the gangs. The police and their paramilitary arm, BRIMOB, are the major enforcers.

Conflict, though common and widespread, is increasingly low key. It takes various forms including occasional shootings in forest estates, mob attacks on *Perhutani* offices when a community or gang member is arrested, or the occasional stabbing and beating of a forest policeman and the burning of his house.

¹² *Perhutani* management accused of corruption. Jakarta Post, April 04, 2003.

The overall picture that emerges characterizes the teak estates as an open access resource ripe for looting. The actors involve all sections of society. Elements of the security forces, government officials, community leaders and Perhutani staff play dual roles: they “uphold” the law and while participating fully in criminal activity relating to the illegal timber trade.

During interviews, representatives of all sectors referred to “a rule of *premanisme*” (a gang-society). These gangs are not new. Yet they have been able to consolidate their strength and organization in a society where law is a flexible tool that the strong utilized to suppress the weak, with the objective of profiting from control and exploitation of resources. Those responsible for fostering criminality have changed with shifts in the political climate and probably will do so again as little indication exists of any organized political will to suppress the gangs and prevent the violence they engender.

A-6.1 Resources and Locations

The resources in question are the teak plantations of Java, located principally in Central and East Java. Information collected for this report focuses on the Blora district of Central Java, which supplies the highest quality of teak to the market.

The Dutch overexploited natural teak forest from the late 16th century onward. By the 19th century, they organized teak plantations. Following Indonesian independence from the Dutch in 1945 the first Indonesian government largely reestablished the Dutch commercial concession system. In 1963, forest management was put under the state forest corporation, *Perusahaan Negara Perhutani*, divided into Central Java and East Java management units. Each unit was managed by an independent directorate. In 1972 this was replaced by the parastatal *Perum Perhutani* (PP). Recently, PP has been designated a *Persero*, a company that must turn a profit.

There is great interest in problems surrounding PP estates. They supply the lucrative teak furniture industry, factories of which cluster principally in Jepara, Semarang and Surabaya. A cubic meter of class 1 teak can sell in Surabaya for US \$1,200 per m³, or roughly 10 times the price of *meranti* (*dipterocarpaceae*) timber from Kalimantan.

A-6.2 Conflict

Tenure issues surrounding PP estates have endured for generations, and worsened post-1965. Since the fall of the Suharto regime, the number of tenure conflicts has increased dramatically, related to a serious escalation in illegal logging. PP’s allowable cut of 400,000 per m³ per year is dwarfed by an annual illegal harvest estimated at 1,100,000 m³.

ARUPA, an NGO that works with PP-related communities on tenure issues, identifies the following sources of conflict:

- Lack of land tenure;
- Bad forest management (decisions in PP estates are made in Jakarta and rarely reflect on-the-ground realities);
- Lack of interest in reform within PP; and
- Lack of law enforcement and a judiciary that is, at best, irrelevant.

Much evidence of conflict from the field is anecdotal, yet reports do regularly surface in the press. But print and electronic media fail to report most timber-related conflicts. According to ARUPA, collection of

incontrovertible proof concerning current conflict motivations and profits would require infiltration of security and police agencies. As no one is brave (or foolhardy) enough to attempt that, circumstantial evidence is the best available.

The types of conflict and participants have to be understood in the context of their relationship to power structures, PP and communities. Prior to the fall of Suharto, illegal logging was common yet violence remained low key and sporadic. After the fall, illegal logging increased dramatically, as did violence. Illegal logging operations were run by civilian “big bosses” who also function as local businessmen. These individuals are well known to the communities. Some have contracts with PP, and engage in haulage or other transport activities. More recently, as the Megawati administration has allowed army structures to reassert control, gang bosses have lost power and police and BRIMOB are in the ascendancy, repressing gang-based illegal logging. These same security agencies are reported to be moving to take over control of illegal logging for their own accounts. Violence against communities is said to be common.

Case Study – the Blora and Bojonegoro Districts and Surrounding Areas

Blora and Bojonegoro are districts (*kabupaten*) in the province of Central Java, located along the border with East Java. Forest looting in the Bojonegoro area climaxed during January-April, 2001 with thousands of people raiding forests in the subdistricts of Dander, Temayang, Bubulan, Kedungadem, Sugihwaras, and Ngasem. The area looted covered 3,000 ha; looters stole an estimated 27,000 trees. The regional police reported impounding 550 large trucks of stolen timber, approximately 2,000 m³, with an estimated local market value of total of US \$1,000,000. The operation netted 92 suspects, including civilians, police, military and Department of Forestry staff members.

In 2002, another 15,230 trees were reported as stolen, all in the 30 to 70 year age class. By 2003, looting activity has fallen off dramatically and is returning to previous levels and practices, i.e., groups of two to five people stealing one or two trees. Transporting illegal wood from the district is increasingly difficult, and illegal wood tends to be consumed locally. In the Parengan (Tuban district) looting spiked in 2001, with 14,321 trees reported stolen. Numbers looted fell to 8,269 in 2002. The local forestry department does not have figures for 2003, yet indicated that looting levels remain below those for 2001 and appear comparable to those for 2002. Table A-6.1 catalogs some cases of related violence.

Table A-6.1. Incidents of Teak-related Conflict in Blora and Surrounding Districts

Date	Involved & Location	Case
20/1/2002	Jami'in; age 39 years old, from Mulyoagung Village, Singahan Subdistrict, Tuban, East Java. 2 children.	Jami'in was given a job carrying stolen teak wood from the forest of Nglirip, KPH Parengan Tuban. Payment offered was Rp 15,000 per block, to be transported 6 km. He was stealing with 4 colleagues when he was shot by a policeman in his left eye, which was destroyed. He was hospitalized for 45 days. Sentenced to 3.5 months in jail, he was imprisoned in the Tuban Regional Police station following hospital discharge. During Jami'in's trial the prosecutor extracted a bribe of Rp 1,500,000, which Jami'in financed by selling his clothing cabinet.
30/8/2000	Widji; age 32 years old, from Sengaten Village, Bubulan Subdistrict, Bojonegoro, East Java.	The victim, along with five other villagers, was looking for teak wood from the forest area of RPH Maor, BKPH Clebung, Bubulan Subdistrict, within the Bojonegoro KPH (Forest Administration unit). They were spread out in the forest looking for small trees. Someone shot him in the left leg. His friends ran, leaving Widji to fall unconscious. Found by a local villager, he was then brought to the Bojonegoro Hospital. Who shot him, and why, remains unclear.

Date	Involved & Location	Case
19/11/2000	Karno; age 27 years old Warli; age 29 years old. Both from Tanggir Village, Malo Subdistrict, Bojonegoro, East Java	Both were working with five other villagers stealing teak in the forest area of Tanggir Village, Malo Subdistrict, Bojonegoro, administratively within the area of Parengan KPH Parengan, Tuban, East Java. Forest policemen and a foreman caught them cutting a tree. They were told to leave the location and did so. As they left police fired at them. A bullet struck Karno and another grazed Warli.
13/10/2002	Usman; age 42. From Tanggir Village, Kasiman Subdistrict, Bojonegoro, East Java	The victim was stealing wood with several friends in the forest area of Kasiman Subdistrict, Bojonegoro, within the area of KPH Parengan Tuban, East Java. A forest official caught them and shot Usman in his left leg. This case was neither brought to trial nor investigated by the police because of an agreement between the victim and the person who shot him.
5/7/2001	Yaeman; age 42. From Butoh Village, Ngasem Subdistrict, Bojonegoro, East Java.	The victim, along with hundreds of other villagers, was plundering the teak wood forest area of KRPH Pradok, Bubulan, subdistrict Bojonegoro. Forest police approached the looters. A shot was heard and most of the plunderers ran away. Yaeman, however, was shot in the left leg. The Forest Policeman of the KPH Bojonegoro denied that he had shot Yaeman. Meanwhile Yaeman was hospitalized in the Cepu Hospital in Central Java and his case was not brought to trial.
1/3/2003	Muksin; age 51. From Sumberagung Village, Dander Subdistrict, Bojonegoro, East Java.	The victim committed suicide in jail after plundering teak wood in the teak wood forest area of Tengger, subdistrict Ngasem, in 2002. The victim felt desperate because his case had still not been called to trial despite his having paid officials bribes of Rp 5,000,000.
14/1/2000	Burning down of the Forester's residence in Dukuh Tolu, Ngelo Village, Margomulyo subdistrict Bojonegoro.	At least 100 men wearing masks and carrying all kinds of sharp weapons attacked the Asper BKPH Ngelo Official Residence currently occupied by one Mulyono. The attackers, who clashed with locals and then fled, were suspected to be villagers from Bojonegoro, Ngelo and Menden Villages, in Blora, Central Java.. Then they attacked the residence of the forester posted at Dukuh Tolu, Ngelo Village, Margomulyo. First they looted the official residence, whose residents had already been evacuated along with most of their belongings. Eventually the attackers burned the residence. Padangan Forest Administration Unit officials suspect the mob to be hired hands or timber looters whom local forest police had stopped from stealing teak two days earlier in Padangan forest area.
3/3/2000	Conflict between police and communities; Bojonegoro.	The Bojonegoro Police and the Bojonegoro Forest Administration Unit Forestry Police undertook a joint operation to stop teak looting. Their truck and car convoy was stopped by an angry mob carrying sharp weapons.
15/9/2000	Kawiji; age 37. KRPH Ngunut, BKPH Dander, KPH Bojonegoro	Approximately 100 people dressed like ninjas went to the residence of forestry policeman Kawiji, but found only his wife at home. Three of the mob entered the house and destroyed all furniture, including the TV and satellite dish. This intimidation is suspected to be retaliation for Kawiji's efforts in foiling the mob's looting operation.
9/9/200	Mat Laziem, Forester of KRPH Putuk, Ngasem Subdistrict, KPH Bojonegoro	This forest policeman, while patrolling alone, came on some 20 men felling a 30-50 year old teak tree with axes and machetes. He warned them to stop but was attacked, beaten and stabbed.

Date	Involved & Location	Case
21/5/2000	Mobs from two villages: Bubulan Village, Bubulan Subdistrict, Bojonegoro	Hundreds of young men from the Cancung and Bubulan Villages went berserk in chopping down 25 huge teak trees, leaving them scattered over a road. They were purportedly demanding that a member of the Bojonegoro Police Force Brimob who had struck a truck driver from Cancung Village apologize immediately. It is strongly suspected that the problem involved illegal teak logging. Eventually this case was put to rest by the Bojonegoro Police after a discussion was arranged.
20/6/2001	Ngrancang Village, Tambakrejo Subdistrict, within the KPH Bojonegoro area	A forester and forester foreman had their residences burned. At least 300 people dressed as ninjas, in three trucks, arrived at the official residence of forest foreman Banjar (33) and burned down his house. It is strongly suspected that this mob came from Sunu Village, Beringin Subdistrict, Ngawi District, not far from the Ngrancang. After successfully burning down Banjar's house, they went to the official residence of the Forester of KRPH Ngengo, KPH Kaliaren, KPH Bojonegoro, Suwito. The mob pillaged and burned Suwito's house down. Investigations suggest that this incident was triggered by another that happened earlier, when both of these men captured and "processed" a teak looter, Marwan, from the Sunu Village, Beringin Subdistrict, Ngawi District.
26/6/2001	Soko Supriyadi, Forester of the BKPH Dander, KPH Bojonegoro	Soko Supriyadi was at home when dozens of people entered, threatened him with sharp weapons and held him hostage for 1.5 hours. About 400 m away, hundreds of people then looted teak trees in the Ngunut forest area. When police from Dander, on patrol found out about the incident the looters fled, taking hundreds of teak cuttings with them.
4/7/2001	Sungkono; age 42. Pradok Village, Bubulan Subdistrict, within the KPH Bojonegoro	A train operated by Sungkono was carrying hundreds of teak logs from the cutting area of the forest in KRPH/BKPH Pradok, Bubulan Subdistrict, was on its way to KRPH Dander, approximately 10 km away. In route, the train was stopped and hijacked by more than 50 men dressed as ninjas wearing sarong. Hundreds of logs were then taken before the hijackers ran away.
20/7/2001	Security post in the RPH Nglambangan, BKPH Nglambangan, KPH Bojonegoro	Hundreds of people suspected to be from several villages in Bubulan Subdistrict came to the security post and burned it down. It is suspected that the mob was angry about an earlier incident involving a man from the Bubulan village whom forest officials arrested for plundering wood.
25/8/2000	University students attacked	Five students from the Merdeka University and the Madiun Academy of Cooperation Management were attacked by hundreds of men. The students suffered serious injuries and were taken to the Tuban Hospital. It is suspected that the mob was angry because the students – Ari Suhani (24), Hendri (22), Suratno (25), Slamet Widodo (23), and Pramono (23) – had arrested two teak thieves who were transporting the stolen wood on motorcycles. The students turned the looters over to the nearest Forest Police post station.

These incidents were investigated and written up by a local journalist, often for a local paper, RADAR BOJONEGORO. He filed other reports that were not published. Nonetheless, from interviews and reports a pattern emerges of how conflict erupts around teak. Major plundering took place when Megawati Sukarnoputri succeeded Gus Dur in power. In Blora the trigger was the arrest of a local illegal logger. The community went to where he was being held and demanded his release. When officials rejected their demand, they ran amok, burning Forestry department and PP property. Thousands of people took to the plantations and cleared thousands of hectares of teak forest. Photographs that were taken by a local journalist show adults taking large logs and children stealing bundles of sticks for firewood. The forest was swept clean of trees.

As conflict concerns illegal logging, and because illegal logging in the teak forests of Central and East Java appears to be a demand-driven process, the actors in conflict will be presented in the following order:

1. Perhutani – *the supplier*;
2. The industry – *the source of demand*;
3. Oknum – *the organizers*;
4. Gangs – *the intermediaries*;
5. Communities (outside of gangs) – *the workers and short-term beneficiaries*;
6. Security forces – *playing both sides of the fence*; and
7. Judiciary & political elites – *capricious application of the law*.

This classification of actors will facilitate discussion; although limits of some categories are not entirely clear and boundaries between categories sometimes appear very blurred.

The Actors in the Teak Conflict

- *Perhutani*. Unlike timber concessions in natural forests, PP owns the land upon which it grows tree crops. Its security is the responsibility of the police. Yet in PP documentation, three modes of dealing with conflict are recognized: pre-emptive, preventative and repressive. Few details specifying approaches under each are available. The “philosophy” reflects military training manuals.

PP reportedly contracts with a police agency and its BRIMOB to provide security. Sums involved in these transactions are unclear yet in Purwakurto a discrete conversation between NGOs and police suggested a figure of US \$40,000 was the going price for an operation targeting illegal loggers in Central Java. The length of security operations and their scope was not disclosed. There is reason to suspect that such operations, although billed as efforts to enforce the rule of law, are designed as much or more to confiscate illegally felled wood for private profit

Some *Perhutani* staff members are strongly suspected to have been involved in illegal logging. Certainly some have been arrested on suspicion of being involved in log theft (staff involvement in such schemes is commonly encountered in other areas of the timber industry, e.g., in natural forest production concessions in Kalimantan and elsewhere). There are no reports of *Perhutani* staff organizing attacks on other parties, yet violence is occasionally directed toward them. Such incidents are not often recorded, especially cases where timber gangsters or others temporarily kidnap *Perhutani* staff as bargaining chips to secure the release of illegal loggers who have been caught and incarcerated.

PP/police joint operations to frighten off illegal loggers often uncover quantities of illegally felled wood. The police should retain this contraband timber as evidence of crime, yet it is widely reported that PP routinely misreports recovered contraband timber as “found wood,” (*ditemukan*) so that it can retain control of the contraband. The company uses such wood to pay off journalists for publishing positive coverage of its operations. PP also uses contraband to pay off local political elites and to buy favors generally.

The head forester of the PT *Perhutani* KPH in Blora envisages a somewhat more positive future for *Perhutani* holdings. He reports that the worst forest raids occurred in 2001, and reduced the

forested area under his control by 67%. New community initiatives, including profit sharing, have fostered successful development of relationships in four startup villages of the 51 around Blora. This initiative, entitled PHBM, is so successful that no further conflicts have occurred and middlemen are reportedly now worried about obtaining contraband wood in future. Yet demand for illegal wood remains, with the town of Jepara still seen as the “vacuum cleaner” for illegal wood.

PP observers, while often critical of the company, consider the PHBM initiative a good one. Yet it is still new, currently applied in a limited area only and managed by one of the company’s brightest young staff. They feel it may be too little too late, and does not address the root cause of many of PP’s problems, particularly the broad opposition found throughout the company to the very idea of reform.

Data are inadequate to describe accurately the level of illegal logging on PP estates and the cash flows those thefts generate, yet a calculated range of values provides some guidance in this regard. Assume the following range of prices (Table A-6.2):

Table A-6.2. Price Ranges for Teak from Selected Areas

Type	Location	Price (US\$)
Class I (highest quality)/m ³	Surabaya	\$1,200
Medium quality/m ³	Blora	\$500
Good quality tree/m ³	Kendal	\$800
Medium quality tree/m ³	Kendal	\$500

Informed observers estimate the total legal commercial cut from PP estates to be 400,000 m³ a year and the illegal cut at 1,200,000 m³. These assumptions yield the following values (Table A-6.3):

Table A-6.3. Possible Prices for PP Teak

Harvests	m ³	Value	Total Amount
Legal (PP)	400,000	Surabaya	\$480,000,000
Legal (PP)	400,000	Blora price	\$200,000,000
Illegal	1,200,000	Surabaya	\$1,440,000,000
Illegal	1,200,000	Blora price	\$600,000,000

Towards the end of the Gus Dur presidency, and prior to the current Megawati Sukarnoputri administration, PP informants reported that non-authorized loggers cleared 8,000 ha in the Blora Estate forest, and 6,000 ha in Cepu Forest Estate in two months. Loggers and their backers may thus have been acquired profits of the following order (Table A-6.4):

Table A-6.4. Two-Month Looting Revenue Potential from Blora and Cepu

Timber Estate	Total Area (ha)	Cleared (ha)	m ³ /ha	Surabaya total price	Blora total price
Blora	15,000	8,000	100	\$960,000,000	\$400,000,000
Cepu	30,000	6,000	100	\$720,000,000	\$300,000,000

Seasoned PP observers think these prices are high and felled volumes low and suggest that for Cepu a thousand hectares logged would yield an average of 300 m³ per ha (perhaps some of the areas were logged but not cleared). PP financial figures under-estimate by as much as a factor of ten the value of wood stolen, using a base figure of US\$30 to \$40 per m³. Yet PP officials have been willing to release figures for trees stolen from various estates. Assuming the above base values, calculations for four forest management units yield the following amounts (Table A-6.5):

Table A-6.5. Tree-Based Looting Revenue Potentials

Location	Trees Stolen	Value, Good Trees	Value, Medium Trees
Kendal (2000)	66,000	\$52,800,000	\$33,000,000
Blora (2002)	15,230	\$12,184,000	\$7,615,000
Tuban (2001)	14,321	\$11,456,800	\$7,160,500
Tuban (2002)	8,269	\$6,615,200	\$4,134,500

Although documented patterns of theft and violence emerge, acquiring detailed information about *who stole what where and when*, and *to what end*, presents challenges. Yet the value of the illegal harvest across PP plantation lands quite possibly ranges from US \$600,000,000 to US \$1,440,000,000, based on assumptions about the company's total losses of wood.

- **Industry.** It is widely believed that industrial processors, generally from Jepara or Semarang (furniture centers), order wood from middle men, who in turn organize illegal logging gangs. Thus looting is somewhat organized, and the contraband teak supply chain well established before loggers start their illegal logging.
- **Middlemen.** Arrests of gang organizers have been reported in the press; some of the individuals involved are police or army officers. They have never been reported as being brought to trial; *sanctions* usually take the form of *lateral transfers* within their force. Others are reported to be PP contractors, who provide the company transport and haulage services. It is likely that these operatives collude with corrupt PP staff to carry out these operations.

If a middleman receives an order for wood, an illegal logging gang will be hired. Security forces are apparently sometimes paid for protection. Wood is cut and, if the gang can successfully bully or bribe their timber through checkpoints, they deliver to the buyer.

Reports indicate that some middlemen have begun to speculate in contraband timber; they acquire whatever wood they can move through checkpoints, stockpile it, and sell to willing buyers, of whom there is apparently no shortage.

- **Gangs.** Gangs, the *preman*, have long been associated with the teak trade. During the Suharto era, the army seems to have controlled them or kept them largely in check. Following Suharto's fall and until a few months ago army influence waned. This might have happened because Central and East Java – locations of major teak estates – are relatively stable areas with no separatist movements. Army brass might have moved troops from these provinces to station them in restive provinces. Teak gangs flourished during this time; the police felt that they had to be overly cautious about rights abuses. Following the advent of the pro-military Megawati administration and the absence of a strong army presence in the teak trade, the police through their BRIMOB units have clamped down on gangs and may now be moving to fill certain gang roles.

Gangs are centralized around various villages. In the Bojonegoro area one particular village, Sidunganti, has a reputation as a village of looters (illegal teak loggers).¹³ It has long been the source of illegal logging organization and labor, and was written up as such in *Tempo* in the 1980's. Around Randublatung, the two “kantongs” well known for illegal logging are Dusun Pulo and Karanganya. A visit to these hamlets quickly reveals the normal houses of rural poor interspersed with relatively ostentatious structures belonging to gang leaders. Many of the latter are believed to have close associations with local political elites.

These large-scale illegal loggers rarely play any role in timber-related violence. They are organized and among themselves they divide territory and rights. As PP does not have the capacity to challenge them, it will not take them on. Together the contraband timber bosses maintain a well known local auction house specializing in illegal wood in the village of Dander. Access to auctions is tightly controlled; the enterprise limits its business hours to two per day, between 4 and 6 in the morning.

Until recently, security forces were not bold enough to take the gangs on. Since the Indonesian political situation has stabilized, however, they have begun arrests. Formal laws specify three months as the maximum sentence for illegal logging in the area. To ensure gang suspects remain in jail longer than 3 months, officials can hold them without trial, and extend the period of detention to permit prolonged investigation. The police now have two major suspects under detention, one of whom has been in jail pending charges for almost a year. The other is the recently arrested Siwo, whose detention unleashed a mob attack and deliberate torching of PP property in the town.

Increased BRIMOB arrests and raids have dramatically reduced illegal logging. The gang-based ex-loggers, young males, have been forced to find other means to earn their keep. Many have accepted a mid-career shift and now operate as run-of-the-mill village thugs, engaging in house breaking, extortion and cattle theft. Major contraband teak bosses are also said to be seeking new lines of business activity for the post teak era. Cattle farming is reportedly a favored option given the amount of grassland already available and more in the offing as forests are cleared. Cattle rustling is assumed to play a role in the timber bosses interests in cattle farming because rustling offers opportunities to organize a going concern in this sector without high start-up costs.

- *Communities (outside of gangs)*. Local communities are seen to engage in illegal logging for their own account, or as hired workers in the employ of illegal logging gangs. Many community members see themselves in these operations as simply reclaiming property that by rights already belongs to them.

Violent incidents involving attacks on villagers seem on the decline, yet are still reported about five times a year. Violence occurs between PP-contracted security forces and small groups of illegal loggers (who may stragglers associated with larger operations); as large groups of illegal loggers are too intimidating. Clashes involve fists, knives, and occasional shooting by security forces. Violence generally targets villagers taking wood out by bicycle. Normally conflict can be avoided if the apprehended villager agrees to bribe the arresting official (forest guard, policeman, BRIMOB or other) between Rp 2,000,000 and Rp 3,000,000.

Local economies have benefited significantly from illegal logging. Community residents seem to give no thought to potential future negative impacts of over-exploiting plantations; an attitude of “get it while you can” prevails. Furthermore, were communities to oppose illegal logging on PP

¹³ Similar situations exist elsewhere; in Kerinci Seblat National Park another village is noted for its illegal loggers.

lands, they have no meaningful recourse. Security forces are seen as heavily involved in contraband logging operations, and are assumed to benefit handsomely from the trade. For a villager to complain to them might be dangerous.

Transporting round wood by truck risks confiscation at the hands of the police. To avoid this problem, small-scale community illegal loggers saw wood they harvest into planks, use it to build a house, and then sell the house. The buyer can deconstruct it and move it elsewhere without risk.

- *Security Forces.* Police and army are involved in legal and illegal practices surrounding teak. As the examples above reveal, police can be mobbed, either when they attempt to take action against mobs, or later in revenge attacks. And as a policeman interviewed in the field reported, although he had never been hurt in the line of duty, many of his colleagues had been shot and stabbed. Looters are liable to attack anyone wearing a forest police uniform. Yet this year the number of illegal loggers has dwindled, in his opinion because many have been arrested or shot. They seem also concerned about the prospect of facing US \$1,500 fines if arrested.

When forces move to root out illegal loggers they face a public relations dilemma in communities in that they are expected to notify village heads about imminent operations. If they do not, villagers consider the security forces arrogant. Yet if the latter notify village leaders, illegal loggers soon learn of the operation and flee.

It is widely believed that various branches of the police are involved in illegal wood extraction. For this reason high security officials regularly rotate divisions through timber producing areas, possibly to prevent them becoming well established and thus better able to take part in the illegal logging business. Yet security forces have in fact managed to reduce widespread timber looting since the “law and order” Megawati administration, with its pro-military and pro-police policies, allowed them both to take bolder actions to suppress illegal harvesting and to worry less about the negative community reactions that their actions might elicit.

Timber looting problems have been reduced. BRIMOB were unwilling to enforce rules firmly during the later stages of the Gus Dur administration as BRIMOB were unsure how things would go for them under the next administration. Now that the outcome is settled, they have resumed tough enforcement policies. Police carried out a sweep afterwards and collected only 30,000 m³ of timber. This “evidence” leaked to officials and enriched many.

If the run-up to next year’s elections again casts doubt on the role of security forces in the forestry sector, the plantations may again be plundered as military, police and BRIMOB units await election outcomes and a clearer definition of their role in a new political environment. Indirectly, these observations reveal the extent to which, in Indonesia, law enforcement and rule application incarnates a rule of men, and not a rule of law. Such politicization of security work would at the least, one assumes, discourage investors.

Since the advent of the Megawati administration, illegal logging has continued, yet at a relatively reduced rate. Logging levels nevertheless still far exceed those experienced during the Suharto era.

- *Judiciary and Political Elites.* Illegal loggers have been arrested but there are no reports of any “big bosses” being sentenced to jail for significant periods. Of note are the two ex-logging bosses from Randublatung, jailed without trial. This is ostensibly to prevent them fleeing while evidence is collected. Some observers speculate, however, that police are holding them either to keep them

out of the way, or to pressure them into offering payoffs sufficient to satisfy the police officers involved.

The judiciary is, by many accounts, closely tied to local political elites and used as a tool to control access to and within the illegal timber trade.

If wood is confiscated the confiscating agency holds it as evidence. As stocks of illegal wood accumulate, local political party bosses, local parliament members and other members of political elites will ask for letters authorizing them to trade this wood. The evidence disappears and the elites are enriched. Local journalists also receive such authorization letters to purchase their silence.

Among political elites, some local parliament members and political party bosses are said to be using their positions to extract timber from Perhutani. They may enrich their parties locally, yet as some are reported to have criminal backgrounds they are assumed to be enriching themselves.

In the district of Wonosobo local laws have been issued to give communities rights over forest in land owned by PP. This is seen by NGOs as a novel and useful attempt at long-overdue land reform. PP want to fight back yet have no local support in the legislature. PP staff in the *kabupaten* pass the problem to headquarters in Jakarta. PP leaders in the capital lobby (and supposedly bribe) political party bosses. These bosses, in turn, put pressure on representatives of their party in the Wonosobo legislature to prevent legislation adverse to Perhutani's land tenure claims.

BURMA CASE STUDY

Burma covers a land mass of nearly 68 million hectares (ha). With an estimated population in 1995-1996 of some 45 million (with an estimated GNP per capita of US \$250), Burma had, in the mid-1990s, roughly half its land area under closed broadleaf forest and degraded forest cover. The eight major forest types (see Table 1, below) account for the bulk of this forest cover. Of these, the mixed deciduous forests (containing among other species teak, and two other high-value hardwoods, pyinkado [*Xylia dolabriormis*] and paduak [*Pterocarpus macrocarpus*] produce the highest economic return). Productive forests account for slightly less than two-thirds of the total forest cover (estimated at 35 million ha). In the face of ongoing forest losses, the country began in 1980 to rely increasingly on plantations of high-value hardwood species as sources of the domestic and export wood industries.

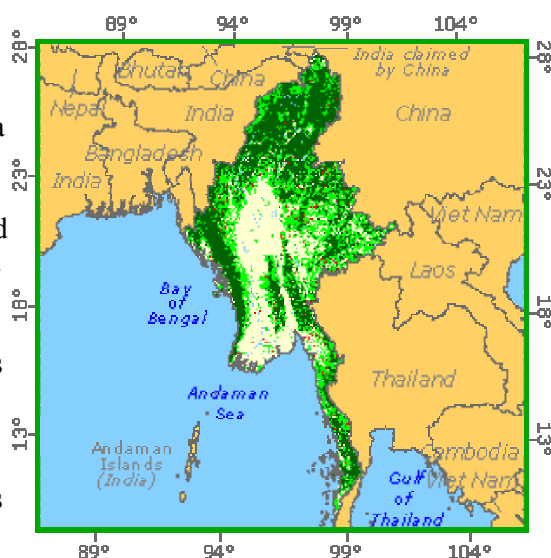







Table 1. Forest Area by Type of Forest

Type of Forest	Area (1,000 ha)	%
Tidal, beach and dune, and swamp	1,376	4
Tropical evergreen	5,507	16
Mixed deciduous	13,425	39
Dry	3,442	10
Deciduous dipterocarp	1,721	5
Hill and temperate evergreen	8,950	26
Total	34,421	100

Source: Tint 1995

Legend

	Water
	Closed Forest
	Open/Fragmented Forest
	Other Wooded Lands
	Other land cover

In addition to these natural forest areas, the Government of Burma has placed nearly two percent of the country's land area in 20 wildlife sanctuaries and three parks.

1. Identify forests managed primarily to generate revenues for fueling conflict.

Forests in Northern Burma and along the country's eastern border with Thailand have been cut both to facilitate and to finance conflict. The conflict in question pits the Burmese (Myanmar) central government junta (the State Peace and Development Council [SPDC]), representing the majority Burman (68%) peoples of the central Burmese plains, against an assortment of ethnic "hill tribes." Many of the latter are based in Burma's border forest areas found along the country's non seacoast boundaries. These groups include the Shan (9%), Karen (7%), Arakanese (4%), Mon (2%) and other (5%). Immigrant groups (Chinese [3%], Indian [2%]) account for the remaining five percent of the population, estimated in 2001 to total 51 million.

2. Identify forests that harbor rebels, insurgents, or government-sponsored security units whose presence is the primary factor driving forest management decision making.

Burma's northern and eastern forests have long been the homeland of and provided refuge for a collection of hill tribes including the Shan, Karen and Wa.

3. Identify forests where violent conflict occurs over forest resources that does not necessarily relate to a larger conflict issue and where local conflict ties more directly into local-level community access/user rights issues.

None reported.

4. Are there forests where several or all of these conditions exist?

Forests provided shelter for ethnic guerrilla groups in many parts of the country. The Burmese national army took the fight to those groups in their forest bases.

5. Types of communities living in or near these forests, or dependent on them either for specific products or for seasonal support.

Burma remains heavily dependent on agriculture and forestry. Forest production makes a significant contribution to the economy. The amount reported in 1996-1997 was US \$204 million, accounting for 21.7% of total export value (Tint, 1995). Teak is highlighted as a significant contributor in this regard.

6. Extent of harvesting, types of timber harvested, off-take rates.

Burma's deforestation rate has been climbing in recent years, and was estimated in the first half of the 1990s to have reached 1.4% per year. The British colonial regime introduced the *Brandeis* selective forest logging regime, which came later to be known as the Burma Selection System (Buckrell, 2002). This system provided for both selective harvesting of timber and systematic reforestation to maintain forest resources. The junta, which has evidently been either unable or unwilling to maintain this system, accused indigenous farmers of destroying forest faster than government and government-sponsored village reforestation schemes can replace losses through slash and burn agriculture and encroachment on forest plantations. That account, written for a government ministry, makes no mention of junta-sponsored logging which evidently accounts for some of the net forest losses, although the report does mention "illegal felling" as one source of deforestation (Tint, 1995).

7. Conditions under which timber is harvested and transported.

Both the Burmese government and minority ethnic groups such as the Shan have contracted out the work of harvesting timber to groups that have the necessary capital equipment and logging skills. The junta has contracted with the People's Republic of China (PRC) to cut logging roads into Burma's northern forests, which is the base of the hill tribes opposing the Burmese junta, and used felled timber to pay for construction of these roads (Buckrell, 2002). The junta has also engaged Malaysian and Thai logging firms, and the latter have pursued clear cutting strategies in the north, with junta approval (ICG, 2003: fn. 79, p. 26). Some ethnic groups have authorized Thai logging firms working Burmese government-issued concessions to cut timber in the forests along the eastern border in a bid to obtain funds, and thus arms and ammunition, to continue their war of resistance against junta forces. While those groups might have opposed logging on their territory by military means they preferred to maintain good relationships with Thailand as that country served them as a refuge when battles with the Burmese army turned against them. Thailand also served as a source of arms and other necessities of guerrilla warfare (Buckrell, 2002).

Firms that negotiate logging concessions with the junta or insurgent groups organize both felling and transport of logs to market.

A decade ago, the junta banned export of logs by the private sector, justifying this move mainly as a way to counter “previous indiscriminate cutting” by private sector entrepreneurs. At present, all hardwood timber extraction, including teak, is consolidated under the Myanmar Timber Enterprise (MTE). This policy probably amounts to a simple preemptive strike by the army, with junta backing, to capture complete control of the forest industry and profits to be derived therefrom. MTE, reportedly acting under Forest Department supervision, cuts some 400,000 m³ of teak annually, and another 200,000 m³ of other hardwoods. MTE controls all the wood processing plants in the country—as of 1996-1997, 96 sawmills (of which nine specialize in teak transformation). In addition, the country counts five plywood factories, five furniture factories and two moulding operations. Some of the sawmills have been privatized over the past decade.

The government has reportedly throttled back log exports, seeking to gain more foreign exchange by exporting processed wood products in place of roundwood, as part of a strategy to increase domestic revenues from logging operations. This strategy is frustrated by the lack of in-country wood transformation capacity. Rather than suffer a loss of revenues, the MTE continues to authorize sizeable amounts of round wood exports, e.g., about 200,000 m³ of teak and a similar amount of other hardwood logs in 1996-1997.

8. Verified, estimated, “guesstimated” environmental impacts and damage.

MTE reportedly relies exclusively on environmentally friendly elephant and ox extraction and transportation methods, which would arguably reduce the immediately impacts of logging. Whether the MTE has imposed similar requirements on Chinese, Malaysian and Thai logging firms more accustomed to capital intensive approaches is unknown.

9. Who is logging conflict timber, and how is that timber being converted into cash? Any pre-export processing, export routes, probable most important buyers/markets for conflict timber in each case, other associated conflict commodities?

Burma is not presently involved in any conflicts with its neighbors, but has come close to war with Thailand in the recent past. The underlying causes are linked closely to the long-running civil war between ethnic minority groups and the junta government, as some ethnic groups based along the Burma/Thai border areas regularly sought refuge in Thailand when attacked by Burmese government forces.

Burma produces both drugs (opium, amphetamines) and gemstones, both of which have figured as conflict commodities insofar as minority ethnic organizations and the Burmese junta trades in these items. The latter has used conflict commodity profits to finance upgrades of the country’s military units. The United Wa State Army (UWSA) enterprises are based in areas of Burma bordering China and include a number of ethnic Chinese (descendants of Kuomintang forces who found refuge in Burma when the Communists took control in the PRC).

10. Country forestry sector policy—which actors influence policy setting (only domestic, or external as well)? Degree of concern for sustainable forestry incorporated in policy? Organizational structures to implement policy?

Available information suggests that the junta, through Burma’s forestry department, makes and implements forest policy in those parts of the country that it controls. Whether implementation follows formal forestry policy is unclear although, by government account, MTE complies with annual allowable cut regulations.

Given the importance of wood industry exports in the country's economy, and the junta's heavy dependence on the same to mobilize funds, the government has strong incentives—other things being equal—to pursue sustainable forestry policies and programs.

11. Importance of timber in the national economy, and contribution of conflict timber proceeds to financing violence (e.g., if other conflict commodities involved, rough comparative importance of each).

As noted, the Burmese economy remains heavily dependent on agriculture and forestry. Economic sanctions imposed on Burma in opposition to the junta's policies have compelled the government to mobilize most of its investment capital from domestic sources. As material in Number 19 below suggests, a good deal of that capital has been recycled from conflict timber activities in hill regions of the country, and even more, perhaps, from government-authorized logging programs in uncontested areas.

Timber in Burma enters the cycle of violence indirectly. Insurgent groups are based in hill forests. The junta, concerned for its own security in the face of armed as well as extensive peaceful domestic opposition, has promoted logging in rebel areas to expose insurgents to government military power. That the government has been able to earn additional wood industry revenues in the process is surely viewed as an advantage.

Burmese gemstones are noted as conflict commodities, but precise information on their contribution to supporting violence was not found. The country also produces and exports several base metals, natural gas and hydropower (US Department of State, 2003). These commodities, likewise under strict government control, undoubtedly also contribute to financing the Burman regime's conflict with the country's ethnic minorities.

12. Genesis for the conflict: greed or grievance?

The dominant motivation for the conflict in Burma can be categorized as grievance. Burmese minority ethnic groups feel that they are dominated by central institutions, most of which are in the hands of representatives of the majority Burman ethnic group. Ethnic minorities want control over their own destinies (and rights to preserve their cultures, teach and school their children in their own languages, to have a say in the design of governance arrangements in Burma, etc.). They also insist on control over resources found in their areas.

Their efforts to achieve these ends, they feel, have been constantly frustrated since independence in 1948 by the central, Burman-dominated government, army and political parties. This struggle reportedly goes back a thousand years and more to pre-colonial struggles for control of territory between the Burman people of central Burmese plains and the "hill tribes." The Burman established three separate kingdoms, beginning in 1044. During one of the interregna, the Shan ethnic group established its own dynasty. Other minority ethnic groups established their respective kingdoms at different points over the last millennium (ICG, *passim*).

The British colonial regime, beginning in 1824, sought to subdue the Burmese polity, and succeeded eventually in annexing Burma to India in 1885 after three wars. There is evidence that the British pursued their campaigns in Burma at least in part to conquer the country's rich timber reserves, as the United Kingdom had nearly exhausted its domestic wood supplies (Buckrell, 2002). The British, during their sixty years of control over Burma, promoted development and made the colony the world's premier rice exporter. The colonial regime deliberately played on preexisting antagonism between Burman and minority ethnic groups found in the colony such as the Shan, Chin, Kachin, Karen, Karenni, Mon, and

Arakan. Colonial governors pursued a divide and conquer strategy that exacerbated tensions between the Burman and other ethnic groups by staffing the colonial police service with minority hill group recruits and setting them to maintain law and order in the Burman communities of the central plains. When the Burmese military, dominated by Burman officers under Ne Win (ICG, 2003) seized power in 1962, 14 years after independence in 1948, they tried to impose a centralized set of political arrangements that would have sharply reduced hill tribe autonomy. This provoked revolts.

Burma is now divided, for administrative purposes, into seven primarily Burman divisions (*tain*) and seven ethnic states (*pyi nay*). The latter, which cover the largest ethnic groups, include the Chin, Kachin, Karen, Karenni, Mon, Arakan and Shan states. The Burmans are concentrated in the Rangoon, Mandalay, Tenessarim, Irrawaddy, Pegu, Magway and Sagaing divisions (US Department of State, 2003).

13. Uses to which the proceeds from conflict timber sales are being allocated.

Lack of reliable information makes it difficult to assess the extent of the illicit funds linked to conflict timber in Burma. But the proceeds generated by the conflict timber trade in Burma are incontestably consistent and abundant, making it necessary to legitimize funds derived from the conflict timber trade. Moreover, continued evolution of the conflict timber trade is creating enormous opportunities for groups linked to conflict timber to deposit profits in domestic and regional financial institutions.

14. Commercial/bank routes through which sales transactions and placement of proceeds occur.

Companies contracted to carry out logging operations take responsibility for marketing the product.

The major trend in money laundering in Burma during the last decade has been very simple—integration and investment of profits from conflict commodities, such as timber, into the legal economy. The peace agreements between the government and the insurgency groups resulted in many of the former drug warlords and their organizations increasing their investments in both illicit operations, including the conflict timber trade, and licit enterprises. Profits are routinely sent to banks in Singapore and Bangkok through Burmese financial institutions that fail to respect even rudimentary due diligence standards. This facilitates co-mingling of illicit proceeds with legitimate money. Development of electronic banking in Burma, and establishment of closer relations with neighboring financial centers afford those controlling profits from the conflict timber trade and other conflict commodities immense opportunity via the banking system to conceal and launder their illicit gains.

Means of Transferring Funds Linked to Conflict Timber Operations

Private Banking Institutions. Twenty or more private banks operate in Burma with over 170 branches. These units increasingly accept clients who transfer assets from the state-owned Myanmar Economic Bank, which controls 300 of its own branches. The increase in private banking dates from the mid-1990s, with deposits of K35,000 million recorded in 1996, K60,000 million in 1997, K88,000 million in 1998, surging to K168,000 million in 1999 (Myanmar Times, 2000). A significant portion of the private banks are located in border towns, which provides easy access to an under-regulated financial sector for individuals who oversee conflict timber operations. Like most urban financial institutions, rural banking institutions in Burma lack uniform banking regulations, and *present no barriers to illicit finance schemes*. The majority of these private banks are expanding services to include electronic banking, a long-recognized means of laundering illicit profits raised from trafficking conflict commodities. The growing trend in electronic banking is led by a Myanmar telecommunications proposal to modernize a number of Burmese banks, including Wealth Bank, Yoma Bank and Industrial Development Bank (Rangoon Dana, 2000, pp. 65-69). Electronic banking, while greatly enhancing Burma's banking capabilities, lacks a comprehensive financial oversight regime to monitor funds from criminal activities, such as conflict

timber, and prevent them from passing through domestic financial institutions to regional financial centers, especially Singapore and Thailand.

Tourism. The seemingly innocuous tourist industry is becoming a major concern among international regulators and law enforcement agencies. During the summer of 2000, Burma established the Tourism Promotion Board (TPB), aimed at promoting the nascent tourism sector by offering travel discounts for visitors from Thailand, Laos and Cambodia. To ensure easy access to Burmese tourist destinations, government authorities funded construction of the new Mandalay airport, and promoted the airport as a “modern facility” to tourists from neighboring countries. The airport, however, quickly developed as a gateway for transporting bulk cash to neighboring jurisdictions. Unfortunately, efforts to police the airport are frustrated by Burmese policing agencies’ limited enforcement capabilities. Existing agencies are unable to adequately inspect the growing number of flights into Mandalay airport.

Casino Gambling. By some accounts, casinos are officially banned in Burma. In reality, a growing number of casinos now operate in urban centers, and border towns (Far Eastern Economic Review, 2001). Casinos provide enormous opportunity to launder assets from conflict timber schemes. Especially troubling is the number of Burmese banks in border regions that routinely provide services to casinos, as this provides a convenient means for laundering assets linked to conflict timber operations. The gambling industry facilitates money laundering in several ways. First, given limited legitimate sources of investment capital within Burma, dirty money has probably financed creation of the casino and resort complexes. Second, lack of oversight of financial transactions at casinos permits routine access for Burmese and Thai citizens involved in the conflict timber trade to an array of money-laundering schemes. Although they boost tourism, especially from neighboring Thai communities, casinos are used to transform illicit conflict timber trade revenues into licit earnings.

Ko Kang-United Wa State Army (UWSA) Activities. Legitimate Wa businesses in the northeastern Shan state and along the Thai border are under direct command of the Wa ethnic minority’s UWSA and include financial institutions, real estate, and import-export businesses. Reports allege that the Wa group, under Wei Hsueh Kang, uses Hong Pang Import-Export as its center for money laundering, including illicit profits from conflict timber schemes (Bangkok Phuchatkan, 1999). UWSA is also involved in a number of illicit activities, including the conflict timber trade, smuggling precious gemstones and, apparently, the opium trade, long a staple of commerce in the Golden Triangle region (ICG: 8, esp. fn. 23). Moreover, in the past 10 years, the UWSA has set up Hong Pang Company Limited to trade in agricultural products, including timber, and two companies in Myawaddi—the S. Group and the Nan Myanmar—to sell construction materials. The Universal Bank branch in Myawaddi is reputedly partly owned by the UWSA, as is Kanbawza Bank. Both financial institutions are largely under-regulated. This suggests that some ethnic minority leaders may be as fully engaged in illicit financial transactions as some members of the junta.

Proceeds from the sale of Burmese tropical hardwoods the junta rolls into purchases of arms from its Chinese and Russian trading partners. These purchases are not limited to light arms; they reportedly included MiG fighter bombers as well. The US State Department considers China to be Burma’s major arms supplier.

Up until 1989 and the collapse of the Burmese Communist Party (BCP), which supported the ethnic minority resistance movements particularly in the northeastern part of the country, the PRC funneled arms through the BCP to ethnic guerrilla armies (ICG: 4).

China shares a common border with Burma; arms as well as other goods move across that border in both directions.

15. Type of political regime in conflict timber countries.

The Burmese military junta came to power in 1962, asserting that ethnic minority resistance would lead to Burma's disintegration unless they put a stop to it. A quarter century later, in 1988, the junta crushed a popular uprising against deteriorating economic conditions that also generated support for the presidential campaign of Mrs. Aung San Suu Kyi, Burma's Nobel Laureate. Mrs. Aung San won the 1990 elections handily but has been prevented ever since by junta opposition from assuming office. Long held under house arrest and recently ambushed by junta thugs while moving about the country in accord with terms of an agreement approved by the SPDC, she continues her resistance with strong popular support. The junta, however, continues to tighten its grip, investing heavily in military preparedness and weapons acquisitions.

16. Types of conflicts (e.g., rebellions, insurgencies, state-driven, etc.).

The government wants to dominate the ethnic groups and exploit resources (including but not limited to timber) found in their territory. The ethnic groups have resisted government centralization of control over resources.

The still largely unresolved conflict between the majority Burman and minority ethnic groups constitutes the biggest domestic struggle in Burma. It links to the likewise unresolved ongoing battle over the nature of the regime, with the ruling military junta firmly committed to maintaining its authoritarian control of society and a substantial majority of the population expressing a preference for a more open and democratic system of governance. This ongoing struggle is epitomized by Mrs. Aung San Suu Kyi's principled struggle to claim the presidency described in Number 15. The regime organized an attack targeting Mrs. Aung San during the course of political activities which the government had accepted in the spring of 2003. This brought the Burmese junta's repressive tactics to public attention once again.

This incident has escalated into an external diplomatic problem for the junta. The long train of events leading up to it have contributed to economic sanctions imposed on the regime. These have apparently impeded Burma's development.

The authoritarian junta has held power in Burma for the last four decades. Despite strong evidence, in the form of Mrs. Aung San Suu Kyi's dominant showing in the 1990 presidential elections, of popular discontent with the current regime, Burmese leaders show no inclination to relinquish power. This amounts to a total disconnect between popular perspectives on regime form and leadership and existing leadership; in other words, there is little if any accountability in contemporary Burma, nor has there been any since the 1962 coup d'état.

It should be noted that accountability relationships in many of the ethnic minority political groups do not provide the regime any lessons in democratic procedures. Leaders of these groups have often applied their military training to political mobilization and take the same top-down approach to politics that served them well in their guerrilla resistance days. That some have also become leaders of what are, in effect, ethnic gangster groups, intent on individual enrichment, also casts a pall over accountability (ICG: 4, 7).

The MTE, responsible as it is for organizing logging, timber exports and the domestic wood industry, clearly plays a lead role in generating revenue for the regime.

The long-running struggle in Burma between the Burman-dominated central government and various minority ethnic groups located in hilly or mountainous regions along the country's borders with China and Thailand particularly is merely the latest chapter in ten centuries of armed competition between the two groups. The ethnic minorities, backed by the Burman-led BCP, received arms from China, trained,

and engaged in guerrilla warfare against the central regime until the BCP collapsed in 1989 (ICG, 8). For the past half century, the Burmese army has been gradually carrying the fight, through a combination of superior (and growing) firepower and training, and by ongoing efforts to arrange cease-fires with some ethnic groups in order to weaken the overall ethnic minority coalition. The junta has succeeded in inducing splinter movements to split off from the main ethnic armies. The junta has accepted cease-fire agreements with some of the more powerful military units during the 1990s and has sealed those agreements by authorizing some signatory ethnic groups to exercise a good deal local autonomy. The Wa in northern Shan State on the Chinese border, with close connections to China and many Chinese in residence in the area, exemplify this type of arrangement. The ethnic groups that resisted the longest, however, came under increasing pressure from the state army and were less able to negotiate attractive cease-fire arrangements.

Many ethnic groups, including some of the political leaders, have grown war weary and increasingly convinced that their only hope for a better future is to make political arrangements that will allow them to develop their homelands. Some of these political leaders are also, in fact, ex-military leaders. Many of these individuals seem to have pursued the same strategy as the Burman generals, creating businesses billed as a contribution to ethnic development but under family control.

17. Configuration of military forces.

The Burmese civil war opposed the central state military junta to a variety of ethnic militias. Most of the latter have either signed cease-fire agreements with the government or have been compelled by military defeats at the hands of the army to surrender.

The Burmese army appears to be a modern fighting force, with adequate weaponry and training.

Ethnic Militias

This description covers a host of armed units that have opposed the central government with varying degrees of determination and success practically since independence in 1948 (Buckrell, 2002). Some of these units occasionally fought with each other over control of territory and resources.

These militias typically functioned as guerrilla units, operating on their own terrain and supplied by their ethnic brethren, in terms of supplies and recruits.

As noted, most of these units have lost their struggle for independence or greater autonomy from the Burmese central regime. A few, however, seized the moment when they had some thousands of men under arms and could negotiate cease fire agreements with the central government from a position of relative strength. Some, e.g., the Wa and Kokang units, achieved a high degree of autonomy through their cease fire arrangements and even managed, in some cases, to obtain development support from the central government or permission to solicit assistance from international NGOs (ICG: *passim*).

18. Political or economic impacts generated by conflict timber activities in Vietnam.

Conflict timber schemes are becoming an increasingly important component in Burma's economy, and enforcement efforts are casual for both economic and political reasons.¹⁴ The profits from the conflict timber trade are either sent abroad to regional financial centers, or directly reinvested in infrastructure projects, such as roads and port facilities, as well as in hotels and other real-estate developments.

19. Interesting, significant, anomalous points concerning Burma.

Funds raised from conflict timber schemes are welcome in the Burmese economy, which is seriously underdeveloped in consequence of authoritarian, statist policies and an anti-business climate. The economy has little access to foreign capital and investment. As a result, the infrastructure of Burma is overly dependent on illegally generated cash. Ironically, this has made the government increasingly dependent on a continued flow of investment into Burma's legal economy from illicit activities—a predicament that has been accentuated by the continuing efforts by the United States and Western Europe to ensure the international isolation of Burma. Any effort to combat conflict timber schemes is routinely frustrated by Burmese military intelligence bodies that profit from the conflict timber trade, and obfuscate investigations launched by the national police.

The Burmese junta has used logging concessions as part of its strategy to fracture the ethnic minority opposition to its authoritarian, centralized, Burman-dominant rule. The regime has rewarded ethnic military and political units willing to negotiate cease fires with the regime by allocating them logging rights in the territories that those groups control (ICG: 8, fn. 21).

¹⁴ For a recent US government economic analysis, see the treatment of this issue published by the US Commercial Service at <http://www.usatrade.gov/Website/ccg.nsf/CCGurl/CCG-Burma1999-CH-006608D8>, which states in part “a great deal of economic activity in Burma is unrecorded. Some analysts believe that the informal economy is as large as the formal economy. This gray economy includes private banking networks, smuggling, barter trade, off-record agriculture production, corruption, and illicit activities...Rangoon has seen a boom in office development projects, including the Sakura Tower which opened in 1998, serviced apartments, five of which are scheduled to open in 1998, and industrial estates. By law, foreigners may not own land, and may only rent property on a short-term basis. Given the severely depressed state of the overall economy, many Rangoon analysts suspect that construction projects still ongoing by the end of 1998 may be connected to money laundering activities...”

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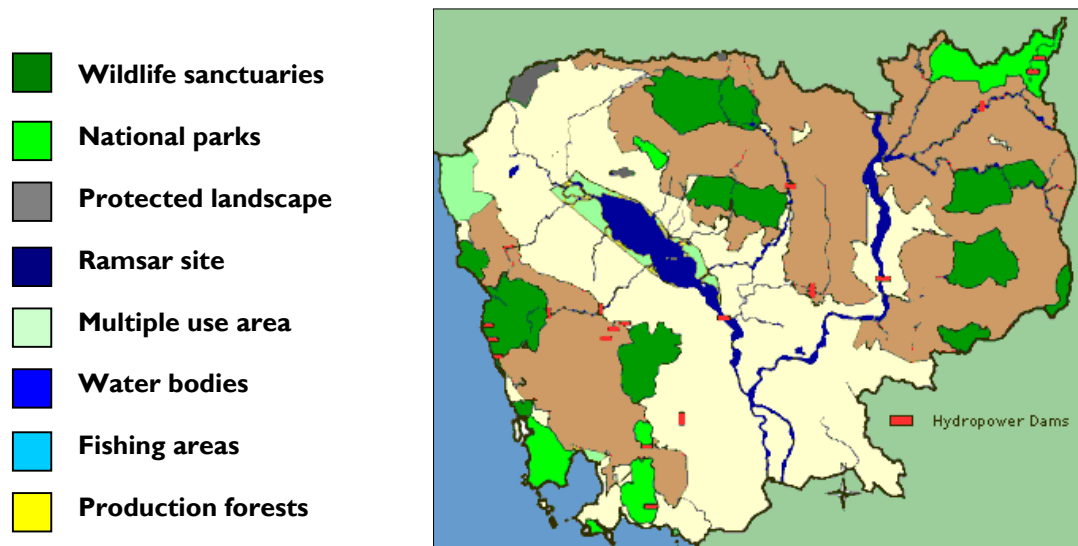
CAMBODIA¹ CASE STUDY

I. Identify forests managed primarily to generate revenues for fueling conflict.

Accurate data on Cambodian forest distribution and quality are poor. The government's Department of Fish and Wildlife (DFW) estimated 58% forest cover in 1997. There are two major forest types:

- Dryland forest, comprising evergreen, deciduous, mixed, and coniferous forest; and
- Edaphic forests, which include flood forest land and mangrove (ITTO newsletter).

The map below shows forests, protected areas, and other distributions (Vuthy, 2002).



Forest cover loss has accelerated over the last 20 years, with logging playing a major role.

Before 1993, three guerrilla factions (National United Front for An Independent, Neutral, Peaceful, and Cooperative Cambodia [FUNCINPEC], Khmer Peoples National Liberation Front [KPNLF], Khmer Rouge) and the State of Cambodia (SOC) government had been involved in logging, which financed their warfare efforts. The guerrilla groups, particularly the Khmer Rouge, sent logs over the border into Thailand from western and northern Cambodia (Trade and Environment Database study). In the Pailin area to the northwest, under the control of Ieng Sary, this trade worked in tandem with gem trading.

According to Global Witness, a recent crackdown on logging has significantly reduced the pre-1998 rampant logging.

An issue to be addressed is what, if any, conflict is now funded by timber. Military and political interests control the timber trade, and infighting among the elite is common.

2. Identify forests that harbor rebels, insurgents, or government-sponsored security units whose presence is the primary factor driving forest management decision making.

¹⁵ Editorial note: See (*), page 4, in reference to information in Cambodia Conflict Vulnerability Analysis.

As noted in 1999 by the Economic Affairs sections of the US Embassy, Cambodia, *Report to the Congress on Illegal Logging in Cambodia*, the government ramped up implementation of logging reform. Yet, whereas levels of logging and timber export dropped below those registered in previous years, some Cambodian military units continued illegal logging, and state-organized logging also continued. As Global Witness noted, following increased stabilization in Cambodia, how such logging persisted despite logging reform efforts remains unclear and needs investigation. It is widely assumed that military and elite political interests guide forestry-related decision making.

According to Global Witness, forests along the Vietnamese border are vulnerable to illegal timber exports. Exports to Thailand from former Khmer Rouge territory are reportedly increasing. Other current reports note large-scale log exports moving into Lao PDR from Stung Treng Province.

The US Embassy Report notes that:

The Cambodian government has exercised little or no control over the level of logging in legally established concessions operated by primarily foreign logging companies, and previously had been unable or unwilling to prevent illegal logging outside the concessions. The Royal Cambodian Armed Forces (RCAF) and National Police developed sophisticated illegal logging operations in a number of provinces in open defiance of ostensible government policy to control log harvesting and exports.

3. Identify forests where violent conflict occurs over forest resources that does not necessarily relate to a larger conflict issue and where local conflict ties more directly into local-level community access/user rights issues.

This issue requires clarification in any second phase. Mondulkiri and Ratanakiri provinces to the east have only recently been liberated from Khmer Rouge control. There is reason to speculate that any power vacuum there will be filled quickly. Vietnam's influence in Cambodia—resented among the general populace still supporting the ruling elite (Hun Sen was in an older wave of Khmer Rouge that ultimately took sanctuary in Vietnam from purges)—extends to timber. Collusion among Vietnamese interests and Cambodian military and political elites remains fragile. Both groups want to control timber interests and may squabble violently among themselves, in efforts to dominate timber harvesting and trade.

The situation in Pailan province to the west also requires investigation. There is no doubt that Thai wood industry interests still buy logs there. The district is still seen as a Khmer Rouge stronghold in all but name. Iang Sary, “brother number 2” in the Khmer Rouge, held this area and benefited greatly from trade in gems among other products. Sary was one of the few leaders to “make peace” with the Hun Sen regime, and appears to have maintained control of the province.

4. Are there forests where several or all of these conditions exist?

Global Witness reports that “soldiers in the Grand Atlantic Timber (GAT) concession reported that the main subcontractor, Chay Ly, was offering a reward of \$6,000 to anyone who shoots down the airplane that Global Witness uses to monitor timber harvesting.” This suggests that violent combinations of military and business interests arise.

5. Types of communities living in or near these forests, or dependent on them either for specific products or for seasonal support.

Cambodia has a population of roughly 12.5 million. Of that total, the Khmer make up 90%, Vietnamese five percent, Chinese one percent, and hill tribes one percent. Khmer and hill tribes depend on forests.

The Khmer are spread across the country. The hill tribes are particularly prominent in the eastern, hilly, and forested parts of the country.

Poor populations that live close to forests depend on them for most daily needs, including food, water, medicine, timber, and non-timber forest product (NTFP) extractions. This is especially the case where infrastructure is poor to nonexistent.

6. Extent of harvesting, types of timber harvested, off-take rates.

The US Embassy reports that “A US environmental firm estimated in March 1998 that Cambodia’s total log harvest in 1997 exceeded 2.5 million cubic meters, four to eight times greater than the estimated maximum sustainable cut. Forest cover in Cambodia has shrunk to about 58% of the country’s land area, down from approximately 75% in 1969.”

Additionally, in 1997 the World Bank estimated that revenue loss from illegal logging exceeded US\$60 million, or two percent of gross domestic product (GDP).

In 1999, the Council of Ministers raised the royalty rate paid by licensed timber concessionaires from \$14 to \$54 per cubic meter. This led timber companies to suspend harvesting in a bid to compel the government to reduce royalties rates. The boycott failed, but did sharply curtail harvesting in early 1999. Legal and illegal logging harvests in 1999 are estimated to have fallen below 500,000 cubic meters (m³), compared with an estimated 2.5-4.5 million m³ in 1997-1998. Despite reduced logging levels, the Royal Government of Cambodia (RGC) collected significantly more royalty revenue on timber in 1999 (US\$9.2 million versus \$5.2 million in 1998).

Global Witness reports that 15 timber concessionaires in Cambodia currently operate 21 concessions covering a total of 4,239,528 hectares (ha.), or 26% of Cambodia’s surface area.

7. Conditions under which timber is harvested and transported.

Timber is transported by sea and land. The US Embassy reports that illegal timber exports in 1999 and early 2000 to Vietnam from Mondolkiri, Rattanakiri, Kratie, and other Cambodian provinces shrank to levels much lower than those of prior years. The companies involved on the Vietnamese side are owned by, or tied to, local government or communist party officials. Log exports from Cambodia through Lao PDR to Thailand and China reportedly resumed in 1999, possibly with the involvement of a Lao military-owned forestry company.

There is little published evidence of physical removal or elimination of local claimants who would challenge timber harvesting, but some examples do exist (again, Global Witness and DFW surveys targeting such issues uncover evidence). The lack of information appears a function of underreporting and a general fear of “authorities.”

8. Verified, estimated, “guesstimated” environmental impacts and damage.

Lack of effective governance over Cambodia’s natural resources has increased rates of deforestation and desertification, decreased fish catches, and exacerbated natural disasters. These events generate both grievance- and greed-induced potential causes of conflict. The role of environment and natural resources is discussed within the context of loss of livelihoods and conflict prevention in detail in the *Cambodia Conflict Vulnerability Analysis (CVA).

9. Who is logging conflict timber, and how is that timber being converted into cash? Any pre-export processing, export routes, probable most important buyers/markets for conflict timber in each case, other associated conflict commodities?

Identification of explicitly conflict timber under current circumstances requires further investigation.

10. Country forestry sector policy—which actors influence policy setting (only domestic, or external as well)? Degree of concern for sustainable forestry incorporated in policy? Organizational structures to implement policy?

Limited government control over logging is indicated by the impacts of the government ban on internal transportation of logs in Cambodia in 1999. The crackdown was to be implemented by the Ministries of Interior, Defense, and Agriculture; the national police; and governors of cities and provinces. The results were as follows:

- Ten of the country's 37 logging concessions covering approximately 2 million ha. were canceled.
- Senior military and government officials were among those adversely affected by the moves, and the government discharged at least one senior military officer for involvement in illegal logging activities.
- Over 20 government officials of Mondolkiri province, including the governor and deputy governor, were fired in the wake of an illegal log-export scandal in January 2000. According to the RGC, over 400 trucks exported several thousand cubic meters of wood from Mondolkiri province to Vietnam in December 1999.

11. Importance of timber in the national economy, and contribution of conflict timber proceeds to financing violence (e.g., if other conflict commodities involved, rough comparative importance of each).

To be determined.

12. Genesis for the conflict: greed or grievance?

Since the collapse of the Khmer Rouge, governance in Cambodia has been chaotic and often violent. Khmers returning home from overseas, acquisition of power by Hun Sen (who came from the Khmer Rouge elements backed by Vietnam, which has successfully supported him for many years), and venal competition between Hun Sen and FUNCINPEC factions fueled conflict and a grab for natural resources. Local communities have rarely played any role in these processes.

13. Uses to which the proceeds from conflict timber sales are allocated.

To be determined.

14. Commercial/bank routes through which sales transactions and placement of proceeds occur.

Long-running wars in Cambodia have led residents to arm themselves. They reportedly have somewhere between half a million and a million unregistered weapons (Sukma, 2001). Most of the trade is centered around Tuk Thla, located near Phnom Penh, where it is possible to obtain light weaponry, including AK-47 and M-16 assault rifles, pistols, hand grenades, and rocket launchers (Chalk, 2001). A growing number of these purchases are linked to the conflict timber trade in Cambodia. Moreover, the extraction and trafficking of conflict timber is increasingly fueling conflict between Cambodian nationals and armed

groups from China, Thailand, and Vietnam. Police and military units also market considerable quantities of conflict timber via well-established narcotics-trafficking routes.

Means of Transferring Funds Linked to Conflict Timber Groups

The Banks. Many illicit profits linked to conflict timber flow through Cambodia's 32 private banks. These banks operate unregulated and are not open to the public. They provide ample opportunities to transfer conflict-derived assets. As one recent press account stated, "[In] Cambodia there are only two or three banks that operate legally," (Sophal, 2000). The banks operate unimpeded by the Cambodian government, which routinely fails to implement even the most rudimentary oversight regimes to counter illicit finance schemes. Especially troubling is the access Cambodian financial institutions have to regional financial centers such as Singapore and Thailand.

Alternative Remittance System. Cambodia's underground banking system offers multiple opportunities to execute rapid and anonymous money transfers—characteristics ideal for laundering proceeds of the conflict timber trade. As elsewhere, the system operates on trust, which can readily be exploited by individuals linked to the conflict timber trade. While it would be naïve to conclude that the system is not used to launder criminal proceeds, its importance in this regard may be reduced because of the banks dedicated primarily to this purpose.

Smuggling of Bulk Cash. As with other countries having porous borders, smuggling bulk cash is an important component of conflict timber schemes. With only seven border checkpoints and two international airports that are poorly policed, Cambodia offers flagrant opportunities for bulk cash smuggling. Cambodia's borders with Thailand are particularly vulnerable given the large number of Thais who visit casinos in Cambodia.

Casinos. Casino gambling has expanded considerably in Cambodia in recent years. Regulation is minimal in these casinos and they can readily be used to launder money, especially to Thailand, which sends some 40,000 visitors a month to gamble in Cambodian casinos (*Casino Journal*, 2001). The funds are then transferred to regional financial institutions. Recent Thai publications report 13 casinos in Cambodia (*Agence France Presse*, 2001). Outside the national capital, casinos have proliferated at several locations where regulatory controls are generally absent. These include Poipet (a former Khmer Rouge stronghold, which has six casinos, with another three approved for licenses [East, 2001]), and Pailin (where the Flamingo Casino is reportedly controlled by the 14K, a major Chinese Triad [*Crime, Law and Social Change*, 2001]).

The Holiday Club in Poipet, which has been linked to laundering schemes, is closely linked to Cambodian Prime Minister Hun Sen, and reportedly is managed by his adopted brother. The casino is protected by its own security people and a Cambodian police team controlled by Pen Ien, chief of the Interior Ministry's border patrol police division and a close friend of Hun Sen (Phnom Penh Samleng Yuveakchon Khmer, 1999).

Trade-Related Money Laundering. Cambodia's cross-border trade with Vietnam and Thailand is routinely used to launder dirty money. Typically, cross-border businessmen try to avoid the delays and costs of the banking system, preferring to settle accounts more directly. Underground remittances combined with invoice manipulations are a common mechanism used in Cambodia (Cambodia Jurisdiction Report, 2000). Such a system readily facilitates the passage of funds linked to the conflict timber trade.

Political Corruption and the Political Criminal Nexus

The significant problem in Cambodia is high-level corruption. The latter includes symbiotic linkages among leading politicians, criminals, and shady entrepreneurs. The system of mutual favors among these groups is embodied in the concept of “*okhna*,” an honorary title formerly accorded particularly worthy individuals, but now bestowed on criminals or powerful businessmen who provide financial favors and support to the Prime Minister and other leading political figures. One of the most notorious *okhna* linked to Hun Sen is Yeay Phu, chairperson of the Phea Pimech Company, Cambodia’s biggest salt producer and most destructive logger. In addition to high-level connections between criminal entrepreneurs and prominent politicians, some senior officials are themselves heavily involved in illegal activities. These reportedly include Em Sam-an, the secretary general of the anti-narcotics authority at the Ministry of the Interior, alleged to be heavily involved in drug trafficking (Praha, 2001) and Princess Bopha Devi, Cambodia’s Culture Minister (and a daughter of Cambodia’s King Sihanouk), reportedly involved in heroin trafficking (Bangkok Post Editorial, 2000). Media reports increasingly highlight commingling of groups linked to drug traffickers and the conflict timber trade.

Conclusion

As long ago as 1995, the Deputy Prime Minister described Cambodia as “a tainted money laundering haven,” noting that the lax banking system provided little resistance to illicit finance schemes, including conflict timber and arms trafficking (Phnom Penh Reaksmei Kampuchea, 1995). Cambodia remains wide open to essentially every form of crime (Karniol, 2000). The Cambodian financial system is extremely weak and poorly developed. According to an Association of Southeast Asian Nations (ASEAN) assessment, very few local banks are financially, operationally, and managerially competent, because very few experienced, qualified staff exist (especially at middle levels), and there are few well-trained bankers. Furthermore, government departments do not interpret and enforce laws and regulations with uniformity (ASEAN assessment). These systemic problems encourage fake banks and banks apparently dedicated solely to laundering the immense profits linked to conflict commodities, including conflict timber.

15. Type of political regime in Cambodia.

Since 1993, Cambodia has had a constitutional monarchy and a democratic, parliamentary form of government. In that year, the United Nations Transitional Authority for Cambodia (UNTAC) sponsored elections which marked the end of a two-year transition from 20 years of violent conflict to a more peaceful, democratic era. Serious instability and violence persisted until fresh elections in 1998 confirmed the dominance of one party. Since then, stability has increased and violence has declined. However, the government remains weak, the opposition divided, and corruption pervasive. Tensions are likely to mount in the run-up to elections in July 2003, but most observers expect the current government to win reelection.

Of the three principal armed forces involved in the civil war, two participated in the 1993 elections and one remained outside the peace process. The Khmer Rouge, whose brutal regime precipitated the death of one quarter of the Cambodia people in the late 1970s, refused to take part in elections. It maintained its military forces in regions near the Thai border. The Cambodian People’s Party (CPP), which deposed the Khmer Rouge in 1979 and has since ruled the country with Vietnamese support, placed second, with 38% of the votes. Its leader, Hun Sen, has controlled the party and Cambodia since 1985. The victorious party was FUNCINPEC, a royalist party that had fought with the Khmer Rouge against the formerly communist CPP during the 1980s. Led by Prince Norodom Ranariddh, it won 45% of the votes.

This election failed to transform Cambodian politics, which remained unstable and frequently violent between 1993 and 1997. Accusing its opponents of fraud, the CPP “refused to cooperate in the formation

of a new government and threatened the secession of several eastern provinces,” (Zasloff, 2002, p. 188). King Sihanouk then brokered an agreement under which the parties agreed to share power equally, and Hun Sen and Ranariddh served as “co-prime ministers.” For a short period they achieved stability, principally by consolidating power over separate parts of the country through “complex and interrelated networks of clientelism and the embezzling of public revenues,” (Le Billon 2002, p. 568). However, the United Nations had not disarmed or demobilized the various armies, and in 1997 Hun Sen led a successful coup against his rival, whom he accused of collaborating with the Khmer Rouge. During the coup, the CPP chased Ranariddh into exile, executed many FUNCINPEC leaders, and imprisoned hundreds more.

The 1997 coup seriously weakened FUNCINPEC as a party and a military organization. Since 1997, the CPP has strengthened its control. Parliamentary elections in 1998 gave 64 seats to the CPP, 43 to FUNCINPEC, and 15 to the Sam Rainsy Party, led by a former FUNCINPEC politician. The two largest parties nonetheless formed a coalition government, but FUNCINPEC now holds only 40% of cabinet posts, not 50%. The CPP further consolidated its power in 2002, when the country held its first local (*commune*) elections in more than 30 years. As a royalist party, FUNCINPEC has relied on peasants’ loyalty to the king rather than strong grassroots organization, and it was unable to compete effectively with the CPP whose leaders had run local government since overthrowing the Khmer Rouge in 1979. The campaign was fraught with violence and intimidation; 15 opponents of the CPP were assassinated, but none of the CPP’s candidates were killed. The CPP won 68% of all commune council seats, and controls 99% of the councils. FUNCINPEC won only 20% of all seats, while the Sam Rainsy Party won 12% (Human Rights Watch, 2002, p. 6)

16. Types of conflicts (e.g., rebellions, insurgencies, state-driven, etc.).

Cambodia no longer suffers from major insurgencies or rebellions. The Khmer Rouge disintegrated in the late 1990s and no longer functions as a political or military force. Its last remaining leaders surrendered or were captured in 1999 (Kiernan, 2002, p. 492). Since the CPP’s attack on FUNCINPEC in 1997, none of the ruling party’s opponents appear to have the military capacity either to invite a similar attack or to mount an attack of their own against the CPP government.

Although the potential for rebellion has declined markedly during the past four years, a major assault on the government occurred in 2000. About 70 heavily armed men attacked government buildings in Phnom Penh in November, killing several people. They represented the Cambodian Freedom Fighters, “a group of anticommunist, anti-Vietnamese Cambodian expatriates” who “contend that the current government lacks independence from Vietnam”; however, the group is weak and “does not pose a substantial threat to the current government,” (Langran, 2001, p. 157). The significance of the attacks remains murky, especially since “[m]ilitary officials seemed to know about the attacks in advance” (Marston, 2002, p. 101).

17. Configuration of military forces.

The CPP, which has ruled the country since 1979, controls the military. The Royal Cambodian Armed Forces number about 130,000 troops. Foreign donors have pressed for demobilization of large numbers of troops, but the process is proceeding slowly. About 1,500 were dismissed in 2000, and another 15,000 in 2001. According to official plans, another 15,000 were due to be discharged in 2002, but “the programme seems to have fallen behind schedule,” (Economist Intelligence Unit, 2002, p. 12).

18. Political or economic impacts generated by conflict timber activities in Cambodia.

To be determined.

19. Interesting, significant, anomalous points concerning Cambodia.

Cambodia appears to be moving toward stabilization. Conflict timber issues present under the Khmer Rouge have been supplanted by a lower level of timber-related violence, as in much of the rest of Asia. Rampant corruption, inadequate governance, and a move from a time of massive human rights violations to low-level human rights abuses appear to characterize the new era.

In the context of this study, most Web-based information is simply out of date and amounts to continual rehashing of older, less relevant information. Again, as elsewhere in Asia, the future augurs more conflict over secondary issues, particularly damage to fisheries, than over timber. Any second-phase study in Cambodia would require field visits and meetings to truly understand not only the current situation, but the process of recent change around timber, which, by Cambodian standards, has been relatively dramatic.

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LAO PDR CASE STUDY

1. Identify forests being managed primarily to generate revenues for fueling conflict.

Lao People's Democratic Republic (PDR) has one of the highest ratios of forest cover to total land area left in Southeast Asia. Of it 23,680,000 ha 40% is classified as forest land, 17% of this original.

In 1986 68% of the country was evergreen forest, 23% mixed deciduous, and 7 % dry dipterocarp. This dropped to 5%, 35% and 5%; evergreen forest the most severely and rapidly degraded. Remaining forest types are:

- Dry evergreen in the north,
- Montane evergreen along highland areas of the Annamite Mountains and Bolovens Plateau,
- Lowland semievergreen dipterocarp in the Mekong River Plain,
- Tropical montane deciduous scattered areas in the north,
- Dry dipterocarp in the south,
- Mixed deciduous in the south,
- Limestone forest in small areas in the Annamite Mountains,
- Pine forest in small areas in the Annamite Mountains, and
- Subtropical montane in small areas of the north.

Item	North	Central	South	Total area
Total land area (million ha)	9,821	7,229	6,630	23,680
Total forest area (million ha)	3,563	3,739	3,866	11,168
Forest cover (%)	36	52	58	47

All forest is classified as one of five types: protection, conservation, production, regeneration and degraded.

Deforestation is rapid. 70% of the country was under forest cover in the 1940's, reduced to 47% in 1989 and 40% in 1999. During the 1980s 150,000 to 160,000 ha of forest were lost annually. Secondary effects have been siltation of reservoirs, navigation channels and irrigation systems. Groundwater has been reduced.

There is no evidence that any are managed to fuel conflict. (World Bank, 2000).

2. Identify forests that harbor rebels, insurgents, or government-sponsored security units whose presence is the primary factor driving forest management decision making.



There is no evidence that any forests are managed to fuel conflict.

The major insurgent group is the Hmong in central Lao PDR. The insurgent region is not reported to be important for timber. Hmong communities in forest areas are responsible for much slash-and-burn and forest destruction, yet reports do not link them to the insurgency.

3. Identify forests where violent conflict occurs over forest resources that does not necessarily relate to a larger conflict issue and where local conflict ties more directly into local-level community access/user rights issues.

These are known from the Annamite range between local communities and Vietnamese extracting forest resources. The Vietnamese operations range from small and labor-intensive harvesting of rattan, to mechanized operations searching out high-priced wood such as *Fokienia*, a fragrant cedar that can bring US\$4,000/m³ in some markets.

Conflict between companies and communities needs further investigation.

4. Are there forests where several or all of these conditions exist?

Probably not relevant.

5. Types of communities living in or near these forests, or dependent on them either for specific products or for seasonal support.

Asian Development Bank (ADB, 2000) surveys indicate that rural households, which comprise 85% of the population, directly depend on forest areas for farming and livelihood. Rural communities also collect edible forest foods and medicines, hunt, and raise livestock on common land. In fact, many communities depend on the forests for more than half of their food supply throughout the year.

Levels of extraction are not sustainable. Many of Lao's forests are now termed "silent forests" because animals have been hunted to extinction.

6. Extent of harvesting, types of timber harvested, off-take rates.

The Science, Technology, and Environmental Agency (STEA) of the Laotian government reports (2000):

- Annual allowable timber cut of about 600,000 m³ with 40% of removals (150,000 m³) ending as wastage due to poor harvesting and planning.
- The official volume harvested in 1997 was 661,700 m³ with 50% derived from hydroelectric development sites.
- Logging consumes around 12,000 ha. of forest land annually, either officially or illegally.
- The major cause of deforestation is over-logging, especially in the central and the southern provinces.

Logging is both "general," seeking large logs for construction and so on, and "specific," looking for high-value wood such as *Fokienia*.

7. Conditions under which timber is harvested and transported.

Probably not relevant.

8. Verified, estimated, “guesstimated” environmental impacts and damage.

STEA reports:

- Deforestation leads to lower water discharge in the dry season, which is of special concern in the Mekong Delta.
- Reduction of high-density forest area, along with agricultural expansion, accelerates deforestation beyond that occasioned by bad logging practices.

9. Who is logging conflict timber, and how is that timber being converted into cash? Any pre-export processing, export routes, probable most important buyers/markets for conflict timber in each case, other associated conflict commodities?

The ADB (2000) reports:

As one of the last countries in Asia with substantial reserves of high value timber, the Lao PDR is attracting considerable interest from other countries in the region, in particular Republic of Korea, Malaysia, Taipei, China, Thailand, and Viet Nam. Large, well-financed companies from some of these countries are granted timber concessions without demonstrating the ability or willingness to ensure that sound forest management is implemented, such as effective codes of logging practice, and that land use planning is used in resource allocation.

In 1998, forest products accounted for 42% of the country’s foreign exchange earnings. Given this level of revenue creation and limited economic diversification in other sectors, pressure on forests will likely persist.

How this will translate into conflict, if at all, is unclear.

10. Country forestry sector policy—which actors influence policy setting (only domestic, or external as well)? Degree of concern for sustainable forestry incorporated in policy? Organizational structures to implement policy?

Donors have helped mold forest reforms; however, reform efficacy should be monitored. During past pushes to reform, those seen as moving too quickly within the forestry department—individuals trained and assisted by international NGOs as well as donors—were purged from their positions and some from employment.

Nonetheless, as reported by the ADB (2000):

- The government is committed to this process in trying to rein in the excesses of logging and move to sustainable management.



- Mechanisms for policy reform include community control of forestlands, zoning, and provision of incentives to manage forests in a sustainable manner.

Within country, ADB reviews suggest that institutional arrangements for influencing forestry policy are in flux. Those most pertinent seem to be:

- *STEA, Office of Prime Minister*: Overall coordination, oversight of environmental affairs, environmental management.
- *Ministry of Agriculture Forest Forestry (MAF)*—Forest resource management, biodiversity conservation, soil resource management, water resource management.

STEA's operational mandate is being expanded as it nears Ministry status. It will then be increasingly involved in matters of implementation concerning watershed and other natural resource issues.

11. Importance of timber in the national economy, and contribution of conflict timber proceeds to financing violence (e.g., if other conflict commodities involved, rough comparative importance of each).

In 1998, forest products accounted for 42% of the country's foreign exchange earnings. STEA reports that:

- The estimated annual loss in government revenue owing to illegal logging is US\$21 million.
- Declaring high-value species as low value at second landings and at the border exit points (in order to reduce logging and export taxes) is also a common practice. False specifications of species results in an annual loss in government revenue of US\$1 million.

There is no indication that Lao timber contributes to major conflict. Resource extraction may involve low-level conflict.

12. Genesis for the conflict: greed or grievance?

Not applicable.

13. Uses to which the proceeds from conflict timber sales are being allocated.

To be determined.

14. Commercial/bank routes through which sales transactions and placement of proceeds occur.

To be completed.

15. Type of political regime in conflict timber countries.

Lao PDR is one of the few countries in the world still governed by a communist regime. Since 1975, the country's dominant political institution has been the Lao People's Revolutionary Party (LPRP), the only legal party in the country. The man who founded the party in 1955, Kaysone Phomvihane, led the government from the late 1970s until his death in 1992. The elderly Prime Minister succeeded him, but was replaced in 1996 by General Khamtay Siphandone, who is generally regarded as the head of a second generation of leaders. General Khamtay remains the country's president and the party's leader and appears unlikely to face any challenger before the next party congress in 2006. He and members of his

generation, who control all major leadership positions, share the previous generation's opposition to multi-party politics. However, the collapse of communism in the Soviet Union has compelled them to consider economic reforms more seriously than their predecessors did.

Like China and Vietnam, Lao PDR has sought to liberalize its economic policy since the 1980s without changing its political structure. Over the last two decades, the right to private property has been established and agriculture decollectivized. Although foreign investment has been encouraged, little has flowed into the country. At the seventh LPRP Congress in 2001, "the old guard retained its grip on power," and the party chairman reaffirmed that "the party still adheres to Marxist-Leninist principles." At the same time, the party "made fuzzy promises of market-friendly reforms and improved governance to appease the donor community, which finances 80% of Lao PDR's development expenditures," (Bourdet, 2002).

16. Types of conflicts (e.g., rebellions, insurgencies, state-driven, etc.).

During 2000 there was a series of violent attacks in various parts of the country (Lintner, 2001). None are known to have been related to timber.

Among the attacks were several mysterious bombings in the capital, Vientiane, and other major towns. There were at least seven incidents between March and September. In addition, people from the Hmong minority attacked a town in the Plain of Jars in January, and other skirmishes occurred in a nearby region. Anti-government rebels apparently loyal to the old monarchy attacked a border post in July and killed several people. Lao PDR accused Thailand of harboring the rebels, and claimed the perpetrators were Hmong based in the US

No definitive explanation of these events has been offered. Lintner speculates that they "reflect overall frustration with the present, authoritarian system... [and the lack of] normal outlets to vent their various grievances," (2001: 182). This may have been due to a dramatic economic downturn the country suffered in 1998 and 1999 when consumer prices increased by 91% and 128%, respectively, and the currency weakened by 40% in 1998 and a further 44% in 1999 (calculated from International Monetary Fund, various years).

At the time, some diplomatic observers speculated that "bombings are the work of a faction within the ruling party seeking to discredit those in charge" ahead of the party congress in 2001 (Chandrasekaran, 2000). On this view, the bombings reflected a split between a younger generation that favors closer ties to China, and the older, ruling generation that leans toward Vietnam.

The unrest and violence that occurred in 2000 have not persisted and the ruling party's hold on power appears stable. The only known bombing since then occurred at a Buddhist temple in the capital city in September 2002, which injured two people (Economist Intelligence Unit, 2000: 30).

Rationale/Comment

These conflicts are not applicable to the issue of conflict timber.

17. Configuration of military forces.

"The Lao People's Army maintains a regular armed force of 29,100 (mainly army) and a local militia of around 100,000." (Economist Intelligence Unit, 2002: 48.) This structure implies a heavy dependence on paramilitary forces and reflects the army's origins as a guerrilla force. The air force has about 3,500 members; as a landlocked country, Lao PDR has no navy (Ganjanakhundee, 27 June 2002).

18. Political or economic impacts generated by conflict timber activities in Lao PDR.

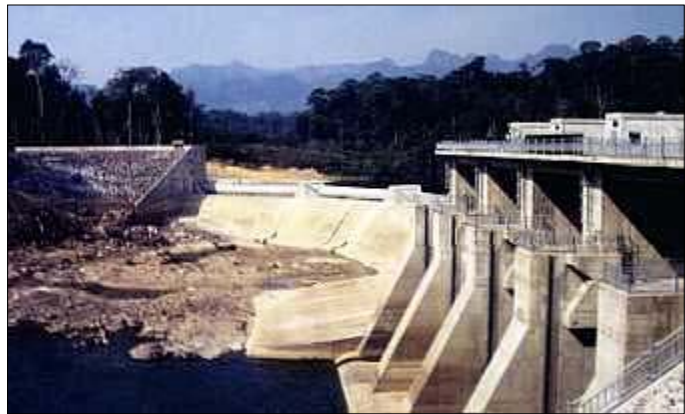
Not applicable.

19. Interesting, significant, anomalous points concerning Lao PDR.

The Lao army is linked to the deforestation of a large part of central Lao PDR in which a dam is planned and from which about 5,700 people are being displaced. There are no reports yet of conflict resulting from these developments, but they bear close watching.

In 1989, the Lao army set up the Highlands Development Company, which in turn controls many more companies. According to one report, “the company is one of the army’s more successful business entities, generating income from a logging monopoly in the central part of the country. The company has access to huge timber reserves as it is allowed to denude the area eventually to be inundated by the Nam Theun [sic] II hydroelectric dam. Logging and associated wood products generate about US\$70 million a year for the company.” (Ganjanakhundee, 27 June 2002). For comparison, the US Central Intelligence Agency (CIA) estimates that the army’s official budget in 1998 was only \$55 million (CIA, 2003).

Under pressure from foreign donors to increase the transparency of military and government finances, the army turned Highland Development over to the Finance Ministry in 2002. However, the army retains control of other companies that operate in the north and south of the country, mainly in forestry and trading.



The first Nam Theun-Hiboun dam in Laos, completed in 1998.

The Nam Theun dam project is intended mainly to generate electricity for export to Thailand. The project is valued at \$1.2 billion (equal to 75% of Lao PDR’s annual GDP) and will create a reservoir of 450 square kilometers. Planning began more than a decade ago, but two hurdles continue to delay construction. Thailand has repeatedly delayed signing an agreement to purchase electric power, and the World Bank has delayed guarantees for the project because it is not yet satisfied with the resettlement program and environmental protections. Assuming these problems are resolved in early 2003, construction is expected to begin in 2003 and end in 2007. (See Ganjanakhundee, 17 December 2002), as well as the project’s own website for official data and links to newspaper articles, including coverage that is critical of the project (Nam Theun, 2003).

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Photos (all except dam photo): <http://www.aeweb.com/Pictures/Laos.html>

Nam Theun-Hiboun dam photo: <http://www.irn.org/programs/mekong/thphoto.shtml>

NEPAL/INDIA CASE STUDY

1. Identify forests being managed primarily to generate revenues for fueling conflict.

Rebel forces in Nepal are using various forests on an ad hoc basis as bases from which to conduct their war against His Majesty's Government (HMG) in Nepal.

The following statistics are available from <http://www.forestworld.com>:

Land Base	Number of Hectares	Number of Acres	Percentage of Total
Total land area	14,300	35,335	100
Total forest area*	4,822	11,915	34
Natural forest	4,766	11,777	99
Plantations	56	138	1
Forest Type			
Mangroves	0	0	0
Tropical forest	1,162	2,871	30
Non-tropical forest	2,660	6,573	70
Sparsely forested	0	0	0

*Average annual percent change (1990-1995), -1.1

Nepal varies in altitude from 70 meters in the south to 8,848 meters at the world's summit in the north. Bordered by the People's Republic of China and the Republic of India, this Himalayan kingdom covers an area of 147,181 square kilometers. The country is divided into five physiographic regions (in increasing order of altitude):

- Terai,
- Siwaliks,
- Middle Mountains,
- High Mountains, and
- High Himal.

The kingdom is politically divided into five development regions (eastern, central, western, mid-western, and far western) with 75 districts in total. Lower-level political units include village development committees (or municipalities or metropolis as the case may be).



Out of the total land area, forest covers about 29.0% (4.27 million ha), and shrub covers 10.6% (1.56 million ha.). In the Terai plains, forest area has decreased at an annual rate of 1.3%, from 1978 to 1991. In the hilly areas, forest area has decreased at an annual rate of 2.3%, from 1978 to 1994; forest and shrub together decreased at an annual rate of 0.2%.

In the whole country, from 1978 to 1994, forest area decreased at an annual rate of 1.7%; forest and shrub together have decreased at an annual rate of 0.5%.

2. Identify forests that harbor rebels, insurgents, or government-sponsored security units whose presence is the primary factor driving forest management decision making.

Although it appears likely that insurgents are using forest for physical cover, it is unclear from available literature whether this extends to management. As the following reports indicate, some observers believe that conflict may emerge from illegal logging along the country's southern border in the mountains as well as in the lowland Terai region. Others suggest that rebel groups are seeking shelter from army attacks in dense forests in Nepal's mountainous regions.



Regarding Nepal: the writing is on the wall that conflict over forest

resources will increase, especially in the Terai. These valuable resources are close to the Indian border and Indian markets, which creates huge incentives for illegal logging and other unsustainable extraction processes. The government of Nepal will be increasingly tempted to try and tap the revenue potential of the community forests in this area. Already, we have had a Minister of Forests and his deputy resign in disgrace over corruption involving bribe taking to permit illegal logging. This will only increase as Nepal's revenue squeeze bites and with the continuing Maoist insurgency draining government coffers (DeTar/Stauffer correspondence, 2002).

Graphic source: Greer, IDP-MWR Project; in the *Report of the EC Conflict Prevention Assessment Mission—Nepal*—Jan Hollants Van Loocke, 2002.

...The situation with the Nepal forest sector ... shady dealings undermining the rule of law; exacerbating corruption; providing another arena for the criminal element to thrive. There was some feeling that the Maoists in Nepal were harvesting NTFP [non-timber forest products] and using the proceeds for their operations. I don't [know] if this is widespread nor the income being realized from this sale. I didn't get the impression that HMG was using the proceeds of illegal timber sales to finance their side of the conflict with the Maoists. Rather the long-standing, nearly institutionalized illegal sale of timber was going to HMG officials at all levels and to support the party in power. I would say that conflicts over Nepali timber arise between user groups/forestry federations/the donor community and HMG

...I'd guess, however, that anything coming out of the Nepal study would highlight homegrown greed and may not shed much light on conflict issues either between valid forest users and HMG or the Maoists and HMG. (Like/Melnyk/Brennan correspondence, 2002)

3. Identify forests where violent conflict occurs over forest resources that does not necessarily relate to a larger conflict issue and where local conflict ties more directly into local-level community access/user rights issues.

The *Kathmandu Post* reported on May 8, 2002:

- Maoist rebellion and emergency response have taken a heavy toll on the country's natural resources.
- Forestry officials indicate increased illegal logging and poaching.
- The situation in the mountains is not clear but security forces are continually pursuing rebels, who have their camps and hideouts inside jungles.
- In the same area hundreds of standing trees are being felled by professional loggers, a few coming from as far away as neighboring India, across the country's southern Terai districts, say officials.
- In Chitwan alone, forest authorities have confiscated between 4,000 to 5,000 bicycles owned by local loggers, according to Director General Bhatta. A cubic foot of Sal timber fetches up to Rs 500 in the local market.
- According to figures made available by the Ministry, Maoist rebels destroyed the Ministry's property and infrastructures—excluding furniture and officials' personal belongings—worth Rs 177.4 million. This includes, a total of 209 buildings—12 district offices, 39 area offices, 155 range posts, two training centres and one security guard quarter—and three jeeps and a motorbike (PHUYAL, 2002).

Given lessons learned from elsewhere in Asia, it seems premature to link insurgents to illegal logging, even though this may be the case. It appears quite plausible, however, that the Maoists are trying to destroy Ministry of Forestry infrastructure, as one Government of Nepal (GON) target among many, in the context of their armed campaign against the GON.

The roots of illegal logging may well be growing lack of law and order, which allows loggers and poachers to operate. It should be clarified whether these are locals, locals backed by one force or the other, outside workers “taxed” by security, government officials, or any other option.

4. Are there forests where several or all of these conditions exist?

As noted, rebels are sheltering in several forests in the country. It is possible, for instance, that Nepali and Indian loggers are cutting *sal* trees in Chitwan National Park in the Terai, and that rebels are simultaneously sheltering in the densely forested park.

5. Types of communities living in or near these forests, or dependent on them either for specific products or for seasonal support.

Rural communities depend on forests for both wood and NTFP such as leaves for animal forage, environmental services such as run-off management during monsoon months, etc.

6. Extent of harvesting, types of timber harvested, off-take rates formulated with as much precision as possible.

Precise information on harvesting rates is not available.

7. Conditions under which timber is harvested and transported.

As noted in the *Kathmandu Post* article quoted above, loggers transport much of the wood they cut in Chitwan National Park to nearby rural and urban markets on bicycles. Indian wood sector companies logging in the Terai or purchasing wood harvested in that region undoubtedly transport it to their home markets in India by truck. This would suggest that those firms have worked out ways to move timber between the two countries.

8. Verified, estimated, “guesstimated” environmental impacts and damage.

If the current insurgency persists and logging continues in Nepal at current rates, serious environmental damage coupled with reduction of forest-based environmental services and negative consequences for the multiple, farmer-constructed and managed “run of the river” irrigation systems can be anticipated. These are among some of the most productive in the country, often achieving two or three crops a year. But these small-scale irrigation systems, most of which rely on locally available materials (mud, sticks, rocks) rather than concrete and rebar, are rather fragile. If monsoon precipitation flows rapidly off the Himalayan Mountains in an uncontrolled manner, serious risks exist that flood waters will destroy irrigation works. Furthermore, after the first flood waters move down through a section of the Middle Hills, where many of these systems are concentrated, relatively little water may remain on the hills to feed these systems in the months running up to the next monsoon season. This could produce very negative consequences for system productivity, with serious impacts on poverty levels in an already poor country.

9. Who is logging conflict timber, and how is that timber being converted into cash? Any pre-export processing, export routes, probable most important buyers/markets for conflict timber in each case, other associated conflict commodities?

National and foreign loggers have played extensive roles in contemporary logging operations. Timber harvested is sold either locally, in Nepali markets, or across the border in India.

10. Country forestry sector policy—which actors influence policy setting (only domestic, or external as well)? Degree of concern for sustainable forestry incorporated in policy? Organizational structures to implement policy?

The Nepali Forestry Law was modified under intense pressure from financing and donor agencies in the late 1980s. A major thrust of that policy was to devolve authority over forest resources to user groups in a bid to promote “ownership” of forest resources among rural user groups. The new law assumes that vesting greater control over forest resources in local user groups would increase incentives for rural residents to plant or promote natural regeneration (of wood-producing and forage-producing species, for example). More forage would enable local farmers to support more livestock (water buffalo, cattle, goats) and so more easily meet their families’ material and financial needs.

11. Importance of timber in the national economy, and contribution of conflict timber proceeds to financing violence (e.g., if other conflict commodities involved, rough comparative importance of each).

The relative contribution of timber harvesting and processing to the national economy could not be determined. During peace time, it would appear to be minimal, as the bulk of Nepal’s foreign exchange earnings derive from the tourist trade and relatively abundant foreign assistance from a variety of donor and financing agencies.

12. Genesis for the conflict: greed or grievance?

The conflicts described in section #16 below clearly derive from the grievances rather than greed, and the grievances are mainly political rather than economic. Although the number of people willing to use force to eliminate the monarchy and establish a republican form of government is small, a large number of people share the Maoist rebels’ frustration with weak political leadership that tolerates corruption and fails to foster economic development.

13. Uses to which the proceeds from conflict timber sales are being allocated.

It is unclear whether either the Maoist rebels or HMG are financing their prosecution of conflict in Nepal with proceeds of sales of timber or other forest products. Some HMG officials continue to benefit from timber sales, as do HMG-affiliated party organizations.

14. Commercial/bank routes through which sales transactions and placement of proceeds occur.

No information available.

15. Type of political regime in conflict timber countries.

Nepal has been a constitutional monarchy since the 1950s, and between 1990 and 2002 it had a democratic regime. However, unstable parliamentary leadership, deadly turmoil in the royal family, and a growing Maoist insurgency is moving the country in the direction of authoritarianism. More worryingly, this combination of factors raises the prospect that Nepal will become a failed state like those found in parts of Africa.

After a brief experiment with multi-party democracy in the 1950s, the monarchy banned political parties and ruled autocratically between 1962 and 1990. Public dissatisfaction gave rise in the late 1980s to the Movement for the Restoration of Democracy, which enjoyed the support of the conservative Nepali Congress Party and a coalition of communist factions known as the United Left Front. In 1990, massive protests and growing violence led the king to lift the ban on political parties and name pro-democracy leaders to a government that produced a new constitution in 1990 and oversaw free elections in 1991.

Parliamentary politics have been very unstable. The two main parties, Nepali Congress and Unified Marxist-Leninist Party, are rather evenly balanced, deeply divided, and generally unwilling to compromise. During 12 years of democracy, parliament formed 11 different governments as power shifted back and forth between the two major parties and their allies. In 1996, the



Communist Party of Nepal-Maoist (CPN-M) ceased its participation in the formal political system and began an armed rebellion to overthrow the monarchy and establish a people's republic. (This conflict is described in the following section #16.) In the last election, in 1999, the Nepali Congress party won a slim majority in Parliament, but factional struggles within the party have prevented it from governing effectively. Because of factional feuds, the party chose a different person to serve as Prime Minister in 1999, 2000, and 2001.

A series of extraordinary events has caused the indefinite postponement of elections and brought about a constitutional crisis. In June 2001, the crown prince murdered the king, queen, and seven other members of the royal family before fatally wounding himself. The murdered king's brother, Gyanendra, ascended to the throne and remains king today. Shortly thereafter, the Congress party chose its third Prime Minister since 1999, and entered into negotiations with the rebels. These efforts failed, and in November 2001 the government declared a state of emergency. In May 2002, amid worsening violence and continuing political instability, the government dissolved Parliament and called elections for November. However, in October, the king dismissed the Prime Minister and his cabinet, assumed full executive powers, and

named an unelected official as the new Prime Minister. The main political parties denounced his moves as unconstitutional and rejected the king's offer to join a new cabinet. Far from reducing political conflict, the king's intervention has sharpened it. [Major sources for this section include Mehta and Rodrigo; Economist Intelligence Unit; Baral, 2002; and Baral, 2003].

16. Types of conflicts (e.g., rebellions, insurgencies, state-driven, etc.).

The major conflict pits the CPN-M (Maoists) and its rebel army against the government. The CPN-M's predecessor, known as the United People's Front, won nine seats in the 1991 parliamentary elections but fared poorly in local elections in 1992, and split into two factions in 1994. One faction opposed participation in that year's parliamentary election, and in 1995 it formed the CPN-M. In 1996, it launched an armed rebellion to abolish the monarchy and establish a democratic people's republic.

The CPN-M's impact is widespread and increasingly deep. Although it began in five mountainous districts in the mid-west and west, the rebel movement has now established a presence in at least 68 of the country's 75 districts, and has "effectively neutralized central government administration in over 20 districts" (Economist Intelligence Unit, 2000: p. 8). Since then, they have formed "shadow 'people's governments' in 22 districts" and exercise control over 40% of the country (Rhode, 2002).

The level of violence has increased dramatically since late 2001. After the palace massacre and the Congress party's selection of a new Prime Minister in mid-2001, the government and rebels adopted a cease-fire and opened peace talks. However, negotiations faltered, especially over the rebels' demand that a constitutional assembly be formed; their stated goal of eliminating the monarchy was unacceptable to the other parties. In November, the rebels attacked government forces and the government declared a state of emergency. The new king favors a tougher approach to the rebels than his predecessor did, and for the first time the government has committed the army, rather than just the police, to fight the rebels. The result has been an enormous increase in the number of deaths. From 1996 to 2000, about 2,000 people lost their lives; in 2001, about 5,000 were killed, including 4,000 by government forces.

The government's loss of control over large areas reflects the its lack of basic military capabilities as well as the ineffectiveness of national political leadership. Together, these facts indicate that the Nepalese state is failing. As the lethality of the conflict grows, and the extent of Katmandu's authority shrinks, the possibility of outright state failure also rises. (In addition to source cited above, major sources for this section include Amnesty International, 4 April and December 2002; Tiwari, 2001; and Lancaster, 2003.)

17. Configuration of military forces.

The Royal Nepal Army has only about 53,000 troops, half of whom are assigned to fight the Maoist rebels. When the insurgency began in 1996, the government relied on the civilian police, numbering about 40,000 men, to confront the Maoists. However, the police are poorly suited for the job; their heaviest weapons are about 300 World War II-vintage Enfield rifles. Rather than upgrade the police force, the government began in 2001 to create an Armed Police Force of 15,000 that it intends to arm with automatic weapons. In 2001, the government allocated \$4.72 million to purchase arms, nearly twice its allocation for social and economic development. Since September 11, 2001, the US and Great Britain have begun to provide military aid to Nepal as part of their global effort to fight terrorism. The US allocated \$12 million for military financing, while Britain offered £6.7 million for military hardware. India has provided at least two helicopters, some vehicles, and arms and ammunition. The first shipment of weapons from the US—3,000 M-16s—arrived in January 2003.

Rebel forces are much smaller and less well equipped, but they appear to be well trained. It is generally thought that there is an elite core of rebel fighters numbering between 2,000 and 4,000, plus another

10,000 to 14,000 irregulars. Men and women serve as soldiers. “Most alarmingly for the government, many of the Maoist affected areas are inhabited by a large number of well-trained, retired Indian and British Army Gurkha soldiers. Some people in government suspect that some of these retirees, along with retirees and deserters from the Royal Nepalese Army itself, are providing training and combat manpower to the guerrillas,” (Tiwari, 2001). (Facts in this section were compiled from Tiwari as well as Mehta and Rodrigo, 2002; and Economist Intelligence Unit, 2002.)

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PAKISTAN/AFGHANISTAN CASE STUDY

1. Identify forests managed primarily to generate revenues for fueling conflict.

In addition to fueling the illegal harvest of timber across the border in Afghanistan, Pakistan is also home to various internal timber conflicts, mainly characterized by the participation of corrupt governmental agencies/officials.

Pakistani forests are a dwindling resource, now constituting less than five percent of the nation's land area. (For additional information on Pakistan's forests see www.rrcap.unep.org, and for more information on Pakistan's most threatened forested areas, please see GIS Development, "The South Asian Scenario")

Pakistan encompasses a great variety of species because of the country's great physiographic and climatic contrasts. The country's forest types include:

- Littoral and swamp forests,
- Tropical dry deciduous forests,
- Tropical thorn forests,
- Sub-tropical broad-leaved evergreen forests,
- Sub-tropical pine forests,
- Himalayan moist temperate forests,
- Himalayan dry temperate forests,
- Sub-alpine forests, and
- Alpine scrub.

The predominating species is coniferous. The Northwest Frontier Province (NWFP) contains around 40% of Pakistan's forests.

Manmade forests are an important wood source in Pakistan. These are of four main types:

- Irrigated plantations,
- Farmland trees,
- Linear plantings, and
- Miscellaneous plantings.

About 90% of the country's wood production goes toward fuel. In the 1980s, 21.9 million m³ of wood was harvested, and most of it was consumed as fuel. To counter large-scale illegal logging, the government has established a two-year ban on logging.

In Pakistan, planting initiatives of all types annually reforest 7,000 ha of land. Pakistan's 1998 national draft Forest Sector Policy is now under discussion and people's participation is considered to be a strong element in the proposed policy (GIS Development, "The South Asian Scenario").

2. Identify forests that harbor rebels, insurgents, or government-sponsored security units whose presence is the primary factor driving forest management decision making.

It is widely reported that the forests along the border with Afghanistan in the northwest and Indian-controlled Kashmir in the northeast harbor militant groups. It is not known whether these groups exploit Pakistan's forest products in order to fund their activities. However, Pakistanis are involved in the

exploitation of Afghan forests via the “timber mafia” (a term coined to describe persons and groups having a commercial interest in rapid forest exploitation) (*Pakistan Press International*, 2001). Moreover, Pakistan provides the main market for Afghanistan’s timber. According to the United Nations Environmental Program (UNEP), about two-thirds of Afghanistan’s timber went to Pakistan during the 1980s and 1990s; the cost for Afghanistan was the loss of about half of its forests. In addition, UNEP claims that in the Afghan provinces that border Pakistan, “local communities have lost control of their resources... with warlords, ‘timber barons,’ and foreign traders controlling illegal and highly lucrative logging operations.” The UNEP report says that 25-50 trucks still can be observed crossing daily into Pakistan; each truck is estimated to be transporting about a hectare’s worth of timber (UNEP, 2003).

There is no information about the direct role of Pakistanis in the exploitation of Kashmir’s forests. A report from the Indian-administered part of Kashmir claims that “timber smugglers have thrived in the lawless atmosphere caused by the militancy.” Official sources assert that “timber thieves” have taken more than 10 million trees in the last decade, but environmental groups say that number is too low. “Kashmir is rich in high-quality pine and walnut trees and produces willow used to make bats for world-class cricketers.” (Wani, 2002)

3. Identify forests where violent conflict occurs over forest resources that does not necessarily relate to a larger conflict issue and where local conflict ties more directly into local-level community access/user rights issues.

While deforestation has a long history, rates have been particularly high over the past decade, in large part because of rising demand for fuel wood. Land management and property rights legislation have failed to ensure adequate regulation of the forest industry. In many cases, powerful urban and rural groups have appropriated both community and government lands for their own account. According to a recent report published by the Pakistan Administrative Staff College in Lahore, a “timber mafia” is now ravaging Pakistan’s dwindling forests. Those involved in the timber business have acquired leading roles in forest institutions and are deeply entrenched in the state’s administrative machinery. These



The oldest juniper forest in the world. Baluchistan province. (CNN, 1996)

individuals, who are traditional tribal leaders and Sayyeds (direct descendants of Muhammad), have been able both to manipulate legislation to serve their interests and to block changes in the law that would make forest management more participatory and sustainable. During the late 1970s and early 1980s, such individuals used large transfers of state development funds to open up forest areas for exploitation. Road and electrification programs facilitated commercial cutting while reinforcing the political and social control of tribal leaders over indigenous populations. Thereafter, collusion among forest officials, large forestland owners, and contractors allowed timber extraction to proceed with little significant regulation.

The Chitral District in the NWFP is an example of such activity and its effects. The felling and smuggling of timber has been a constant source of irritation for the Kalush ethnic minority that resides there. Yet efforts to stop these practices have often been weak and unorganized and have at times prompted retaliation from timber interests. In one case, a Kalush leader survived an attempted murder, while his brother was killed after filing a court case about timber, grazing, and land rights in Rumbur Valley.

Meanwhile, over-harvesting of timber by colluding special interests continues in the Kalush valleys, forcing migrations of villagers from high mountain pastures to valleys and of young people to cities in search of work. The districts of Malakand and Hazara have experienced similar problems (Gizweski, 1996).

4. Types of communities living in or near these forests, or dependent on them either for specific products or for seasonal support.

Communities in rural Pakistan depend on adjacent wood stocks, woodlands, and forests for fuel and building materials. While such demands are relatively low grade, they are persistent and, if not coupled with production of replacement supplies, can contribute to deforestation over the long run and growing difficulty in meeting domestic needs, (i.e., fuel for cooking and, in some regions and seasons, for heating). Furthermore, sloping landscapes denuded of forest cover are more susceptible to erosion, which in turn might threaten the efficiency or even viability of Pakistan's extensive irrigation systems.

5. Extent of harvesting, types of timber harvested, off-take rates.

By UNEP's calculations, the rate of harvesting in Afghan border areas adjacent to Pakistan's NWFP might still amount in 2003 to 40 ha. per day, or roughly 12,000 ha. per year (UNEP, 2003). Figures for Kashmir are less certain, but may have exceeded one million trees annually over the last decade, with much of that consisting of pine and walnut, both useful for furniture fabrication and house construction, with additional amounts of willow harvested for production of cricket bats (Wani, 2002). Harvesting to meet domestic fuel needs has not been calculated, but the amount cannot be insignificant if firewood and charcoal fuel a high percentage of cooking fires in a country with a population estimated at 135 million in 1998 (US Department of State).

6. Conditions under which timber is harvested and transported.

If the recent ban on logging, instituted as a measure to discourage rampant illegal timber harvesting, continues in effect, then whatever timber is deliberately cut would presumably be cut illegally. Transporting contraband timber, unless it were processed and hidden under other goods in freight trucks, would presumably involve collusion between drivers and officials charged with monitoring and implementing the ban. Wood collected in local areas for fuel and building materials would presumably be transported lesser distances and would be less subject to surveillance.

7. Verified, estimated, "guesstimated" environmental impacts and damage.

No information.

8. Who is logging conflict timber, and how is that timber being converted into cash? Any pre-export processing, export routes, probable most important buyers/markets for conflict timber in each case, other associated conflict commodities?

Probably not applicable, as Pakistan and Afghanistan do not presently have major reported conflict timber problems. It is, however, certainly possible that Pakistanis involved in logging in Afghanistan and Kashmir may be contributing some of the profits garnered in what is considered to be a lucrative trade to support Muslim opposition movements in both Afghanistan and Kashmir.

9. Country forestry sector policy—which actors influence policy setting (only domestic, or external as well)? Degree of concern for sustainable forestry incorporated in policy? Organizational structures to implement policy?

Pakistan's 1998 Forest Policy was vetted with non-foresters prior to adoption (GIS Development, "The South Asian Scenario").

10. Importance of timber in the national economy and contribution of conflict timber proceeds to financing violence (e.g., if other conflict commodities involved, rough comparative importance of each).

No information currently available.

11. Genesis for the conflict: greed or grievance?

The genesis of the conflicts in Afghanistan and Kashmir appear anchored in fundamentalist Muslim resistance to non-Muslim interventions, (i.e., the anti-Taliban war in Afghanistan and the Pakistani Muslim supported resistance in Kashmir to Indian claims to control that territory).

12. Uses to which the proceeds from conflict timber sales are being allocated.

No information currently available, although it would be reasonable to assume that any proceeds of conflict timber sales allocated to supporting conflict would go to Muslim resistance movements in Afghanistan and Kashmir.

13. Commercial/bank routes through which sales transactions and placement of proceeds occur.

The passage of illicit funds through Pakistan remains a significant concern for domestic and international regulators and law enforcement agencies for a number of reasons. Pakistan's formal financial system is minimally regulated, and fails to abide by basic international anti-money laundering norms, such as record keeping and documentation requirements. Especially troubling is Pakistan's informal alternative remittance system, made up of unregulated *hawala* or *hundi* institutions. *Hawala* and *hundi* routinely effect anonymous transactions, and provide individuals linked to any kind of conflict activity with a convenient means to transfer illicit funds. The link to illicit finance schemes, and conflict timber harvested in Pakistan, Afghanistan, and the disputed Kashmir region is especially strong, with large sums of money crossing the border through bulk cash smuggling schemes (Baldauf, 2001; Pearce, 2002).

Since the September 11, 2001 terrorist attacks, the Pakistani government has drafted a comprehensive anti-money laundering law, but this bill has yet to become law. Consequently, illicit funds linked to the conflict timber trade flow unimpeded through Pakistani banking and non-banking financial institutions. Moreover, there remain substantial capacity problems within the government of Pakistan, reflecting the limited competence, experience, and resources available to domestic law enforcement structures. For the foreseeable future, there will be few impediments to curtail the trafficking of conflict timber in Pakistan.

Means of Transferring Funds Linked to Conflict Timber Groups

- *Banking Institutions.* Individuals linked to the conflict timber trade have numerous ways to launder funds through state-sponsored financial institutions. Pakistani financial regulation has been weak, and Pakistani banks continue to be reluctant participants in efforts to introduce controls to combat financial crimes. This situation thus offers numerous methods for funneling any cash derived from the conflict timber trade. For example, Pakistan has taken no action to prevent use of the approximately 2.3 million anonymous bank accounts that remain open in the country (Bokhari, 2002). Furthermore, corruption has extended beyond the private sector to state-owned financial institutions, and permits funds to flow abroad. In a major case of malfeasance, French judicial authorities notified the National

Bank of Pakistan (NBP) and the president of its French subsidiary was under investigation for suspected participation in a major international money-laundering scheme involving financial institutions in Pakistan, France, and Israel (Michaud, 2002). This case highlights the ability of individuals to launder illicit profits through weakly regulated Pakistani banks. The same institutions transfer funds from conflict timber operations to arms dealers in the region.

Pakistan also strongly promotes Islamic banking (Azia, 2002). These institutions have often used non-transparent processes, which obscure the identity of the beneficial owner of funds in the banks. Moreover, “profit and loss” investment structures used by Islamic banks to avoid the payment of interest in accord with *sharia* strictures create the risk of the commingling of licit and illicit funds.

- Hawalas*. Most money laundering in Pakistan, and a substantial portion of funds linked to the conflict timber trade, is funneled through underground remittance houses. Individuals prefer *hawalas* to banks as a mechanism for transmitting legitimate as well as illicit funds, because of their lower cost and greater efficiency. The volume of funds moving into Pakistan through underground or alternative banking systems is unknown, but likely represents an amount at least as great as the volume that moves throughout Pakistan’s formal system (Daniszewski, 2001). *Hawalas* present individuals linked with conflict timber enormous opportunities to transfer funds through the country and abroad. Pakistan likely has tens of thousands of unregistered *hawalas*. The use of *hawalas* by all elements of Pakistani society has been difficult to police. In 1998, Pakistan undertook efforts to close or regulate *hawalas* to discourage illicit activities. These efforts, however, were ineffective and one unintended consequence was an improvement in the operational security and secrecy of the *hawalas*.
- Hawala Institutions: The Basic Arrangement**
 In its simplest form, a *hawala* system consists of two persons in distant locations communicating by phone, fax, or email. No money is exchanged between the brokers themselves, only between the brokers and the customers, and the broker does not maintain records of the transaction. The anonymity and secrecy of the remittance transactions facilitates the transfer of illicit funds linked to a variety of criminal activities.
- Exchange Companies*. After intense criticism from the international community, Pakistan has made operational arrangements with Western Union to establish wire transfer services in some 113 locations in Pakistan to replace underground remittance systems in remote areas of the country (*Asia Pulse*, 2002). Such initiatives could have an impact in reducing Pakistan’s vulnerability to illicit finance schemes linked to conflict timber, and in improving the investigative capacity of various agencies. The new exchange houses would be licensed and subject to documentation requirements, making them (in theory) more subject to oversight than unauthorized moneychangers and *hawalas*. The exchange companies would be prohibited from engaging in core banking activities, such as taking deposits and lending. However, without far greater enforcement efforts, the exchange companies may come merely to supplement the *hawalas*, and provide a new means to launder assets raised from the conflict timber trade (*The News*, 19 April 2002).
 - Under- and Over-Invoicing and the Commission System*. To mask funds linked to conflict timber schemes, individuals follow an old tradition of under-invoicing both exported and imported goods to avoid customs tariffs. They rely on the *hawala* system to provide compensating payments reflecting the actual value of the goods. The practice of false invoicing provides an especially flexible mechanism between Pakistan and other countries. The false invoice creates records that can be used as evidence of legitimate business to camouflage illicit funds that move through official channels, while simultaneously freeing up other funds to move through the *hawala* system.

A related arrangement is the “commission” practice. This involves foreign commission agents who function as fronts for Pakistani exporters. The exporters pay the commission agents fees that are then available for use overseas (*The News*, 22 April 2002).

- *Gold and Gemstones.* Pakistan has no licensing or reporting system covering gold dealers. As a result, gold remains an important mechanism for funneling assets, including those related to the conflict timber trade. A close relationship exists between the *hawala* sector and gold trading, and exchanges between these two symbiotic sectors appear to have been a central mechanism for the laundering of illicit funds linked to conflict timber (Interview with former US Department of Treasury official, 2002).

Pakistan also has huge deposits of the world’s gemstones (Hasan, 2002). Like gold, jewelry is usually untraceable, and provides a mechanism whereby *hawala* operators and their business associates, including groups linked to conflict timber, may reconcile books and move funds anonymously on behalf of customers.

Potential Areas for Assistance from USAID and Other US Agencies

- *Regulatory Agencies.* The State Bank is responsible for systematic monitoring of every bank in the country to ensure its compliance with Pakistani laws and financial regulations. The State Bank has long been an inadequate regulator and supervisor of Pakistan’s financial institutions, with little ability to police compliance with even basic elements of safety and soundness. A recent circular issued by the State Bank highlights the problem. In the circular, the State Bank complains that customers of certain Pakistani banks were being defrauded “in connivance with the staff” through fraudulent withdrawals by other persons. Such practices are facilitated by the failure of the banks to provide periodical account statements (Government of Pakistan, 2002). Especially important is the need for assistance to ensure adequate oversight of *hawalas*, and the implementation of a national system of registration for gold dealers, overseen by a regulator with authority to inspect records and to enforce the closure of unlicensed or non-compliant dealers.
- *Law Enforcement Agencies and the Courts.* A significant effort to combat illicit crimes was launched with the recently established Special Investigative Group (SIG), composed of a staff of 50 investigators who oversee counter-terrorism investigations and serious inter-provincial crimes, including the extraction and trafficking of conflict timber and arms smuggling. The SIG is also equipped to identify and block the financial assets of individuals engaging in illegal activities.

Additional efforts have been directed toward strengthening local police units. In an effort to overhaul the Pakistani police force, the federal cabinet approved a police reform bill that went into effect on August 14, 2002, which includes district-level commissions to receive and investigate complaints from citizens about improper police and customs conduct (*The News*, 8 August 2002). The legislation should help impede operations of police and customs officials who assist in the conflict timber trade. Nevertheless, the Pakistani police and judicial system remains understaffed, poorly trained, and poorly paid. Both operate with antiquated communications and data information systems (Rhode, 2002). Further assistance must be provided to all levels of the law enforcement and judicial community, and concentrated efforts must be directed at the SIG to assure monitoring of conflict timber schemes.

A number of recent enforcement initiatives will assist in restricting conflict timber schemes. The National Accountability Bureau (NAB), an anti-corruption agency established in 1999, could provide a basis for prosecuting Pakistani officials who facilitate conflict timber schemes. The NAB has investigated several thousand cases of corruption, prosecuted some 500 such cases, and obtained

several hundred convictions (NAB, 2002). The NAB is also permitted to freeze assets and bank accounts without judicial interference. Its investigators probe public corporations for corruption and undertake special inquiries, including investigations into abuses related to timber products, and arms trafficking (Government of Pakistan, 2001). Moreover, Pakistan has signed an extensive list of international agreements related to combating money laundering schemes, including the 1997 UN Drug Control and Crime Prevention Convention, which provides governments with legal advice and assistance in drafting appropriate legislation, and establishes the necessary administrative framework to counter money laundering.

Unfortunately, significant deficiencies in financial transaction control arrangements inhibit curtailment of conflict timber schemes. At this time, striking gaps remain in Pakistan's legislative and regulatory framework to combat conflict timber. Pakistan has yet to enact a comprehensive anti-money laundering law that would provide a legal basis for systematic regulation, supervision, and enforcement of banks, brokerage firms, *hawalas*, or any other component of its financial sector. Additionally, Pakistan does not have a financial intelligence unit, or any other mechanism that would systematically review allegations involving conflict timber. A draft law would constitute an important first step, together with creation of a financial intelligence unit. Most importantly, an immediate effort must be initiated to place the extraction and trafficking of conflict timber on the list of predicate offenses in the draft anti-money laundering legislation.

14. Type of political regime in conflict timber countries.

Since 1999, Pakistan has had an authoritarian regime. In that year, army General Pervez Musharraf led a bloodless coup that overthrew a corrupt and ineffective civilian government and thereby ended more than a decade of parliamentary democracy. Although parliamentary elections were held in October 2002, Musharraf retains such broad authority that the country's government cannot be considered democratic. Indeed, Musharraf himself has described the current period as "a critical transition period from democratic dictatorship to an elected democracy." (*The Economist*, 2003). The country has been an Islamic republic since 1956, and in 1991 Islamic law was formally incorporated into the country's legal code.

Since achieving independence from Great Britain in 1947, Pakistan has spent nearly equal amounts of time under military and civilian rule. Blame for the failure of civilian, democratic rule lies with the military, which has sought to protect its own power. But its civilian leaders bear responsibility as well. They are widely regarded as corrupt and incompetent. The democratic transition that began in 1988 and ended with Musharraf's coup in 1999 "first faltered, then stalled, when elected governments failed to deliver, their credibility undermined by maladministration, corruption, and political vendettas....[E]lected governments and their political opponents joined hands with military leaders to gain or retain power. As the democratic transition stalled, the military was given the opportunity and the pretext to disrupt the process." (International Crisis Group [ICG], 3 October 2002, p. i).

During 2002, Musharraf solidified his control over the government while restoring a veneer of democracy. In April, he held a referendum that confirmed his self-appointed position as president until 2007. Officially, he received more than 97% of the votes. However, no other candidate was allowed to run, and opponents were kept from campaigning against the referendum by a ban on public rallies. In August, he single-handedly amended the constitution by issuing what he called a "legal framework order." Through this package of 29 amendments,

Musharraf has validated all acts and decrees of his government, including a five-year extension of his presidential term and position as Chief of Army Staff. He has also given himself power to dismiss the National Assembly [parliament], appoint service chiefs,

approve appointments of justices of the superior courts, and establish a National Security Council that will legalise the military's political role. (ICG, 3 October 2002, p. 21).

Another change required that candidates for parliament have earned a bachelor's degree; given the low level of education in the country—only 30% of Pakistani women are even literate—this provision will prevent all but a small share of citizens from holding office (Human Rights Watch, 2002). Legal scholars, many politicians, and even a retired supreme court justice believe these moves are unconstitutional and are planning to mount a challenge (McCarthy, 2003).

In September, the government lifted the ban on political rallies in preparation for elections to national and provincial parliaments in October. The national election produced three major parties, but none with a majority of seats. The largest party is the pro-Musharraf Pakistan Muslim League-Quaid (PML-Q), which won 118 out of 342 seats. The secular Pakistan People's Party won 81 seats, but most surprising was the third place finish of an alliance of six Muslim parties, the *Muttahida Majlis-i-Amal* (MMA), which gained 64 seats. Since none of these could comfortably form a coalition with another, the process of forming a government dragged on for several weeks. Finally, in November, Musharraf's allies cobbled together the bare number of votes needed (172) to elect a new prime minister, Zafarullah Khan Jamali, a member of the PML-Q.

In the NWFP that borders Afghanistan, the MMA won 80% of the seats. It also won enough seats in Baluchistan, the other province that borders Afghanistan, to control the provincial parliament there. Since it ran on a platform opposed to the US war on terrorism and the US military presence in Pakistan, which Musharraf supports, its victories will weaken the national government's already tenuous control over events along its Afghan border (Mehta and Schaffer, 2002; Constable, 2001; ICG, 12 March 2002; ICG, 3 October 2002; Malik, 2002; Nagarajan and Schaffer, 2001).

15. Types of conflicts (e.g., rebellions, insurgencies, state-driven, etc.).

Pakistan is beset by such a wide range of conflicts that observers often warn that it is in danger of becoming a "failed state." It seems unlikely, given the small amount of forested land remaining in Pakistan, that any of these conflicts are principally concerned with timber.

There are longstanding ethnic tensions between the people of the Punjab province who dominate the military and civil service, and the people from the country's three other provinces (Baluchistan, Northwest Frontier, and Sindh). In addition, Sindh is wrought by frequent violence between native Sindhis and the Urdu-speaking Mohajirs, people who emigrated from India to Pakistan in 1947 at the time Pakistan and India were created.

Much of Pakistan, but especially the provinces that border Afghanistan (Baluchistan and Northwest Frontier), is home to militant groups that have ties to the Taliban or simply espouse radical versions of political Islam. Moreover, these provinces are home to "tribal areas" over which the national and provincial governments have no authority. These issues have been widely covered in the US press since September 11, 2001.

In the northeast, militant groups dedicated to driving India out of Kashmir have long enjoyed support from the Pakistani military, which shares their goal. Although Musharraf has cracked down on militants that supported the Taliban and al-Qaida, he has done much less to control the groups that fight against India.

16. Configuration of military forces.

According to the State Department, “Pakistan’s 610,000-member armed forces, the world’s eighth largest, are well trained and disciplined,” (US Department of State, 2000).

17. Political or economic impacts generated by conflict timber activities in Pakistan.

Given limited conflict over timber and uncertain flows of timber harvesting profits to Pakistani groups involved in conflict, it appears that impacts will be limited. Continued deforestation could, however, give rise to grievances and thus fuel conflicts at the local level.

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PHILIPPINES CASE STUDY

The Philippines consist of an archipelago of 7,100 islands.

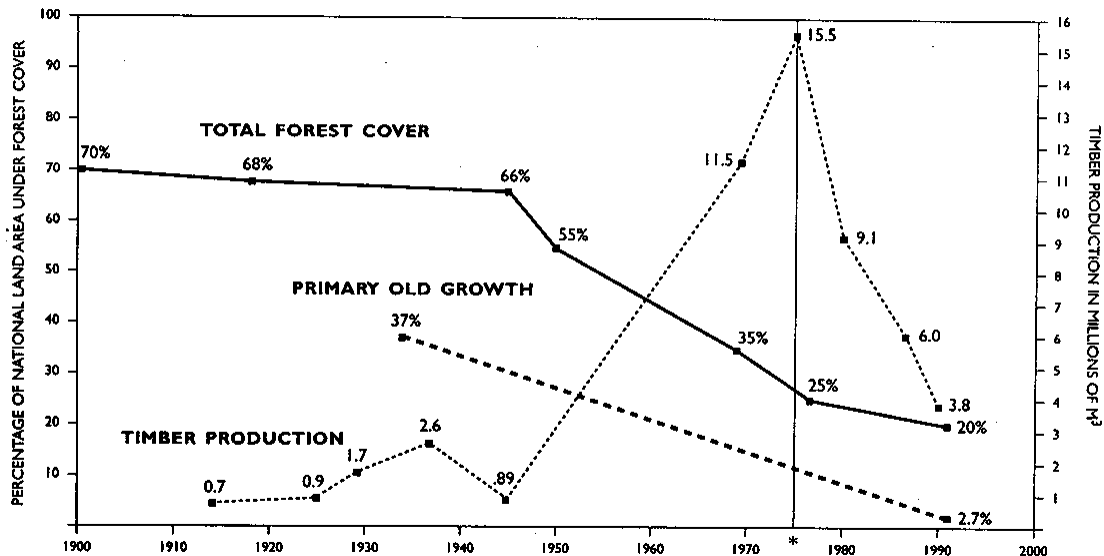
Its flora and fauna have the following characteristics (www.mekonginfo.org):

- Originated from three major biogeographic regions - Formosa, Sulawesi and Borneo;
- High endemism; and
- Six major forest types: mangrove, *Vitex parviflora*, mixed Dipterocarp (two-thirds of the total remaining forest area), tropical montane, pine and cloud.

In the early 1900s forest covered 70–80% of the country. By 1987, undisturbed forest was reduced to 3%, and overall forest cover of varying quality was 22%. Rampant logging accounted for the bulk of the loss.



Logging and Forest Loss in the Philippines (www.mekonginfo.org)



Current figures for forest area and change in the Philippines are provided in Table 1, below (EarthTrends, 2001).

Table I. Forest Area and Land Change in the Philippines (1990-1995)

Total Forest Area, 1995 (000 ha)	6,766
Natural Forest Area, 1995 (000 ha)	6,563
Plantations Area, 1995 (000 ha)	590
Change in Forest Area	
Total, 1990-1995	-3.54%
Natural, 1990-95	-3.65%
Plantations, 1990-95	21.34%
Original Forest as a Percent of Total Land Area	95.3%
Forests as a Percent of Original Forest	
Current Forests	6.0%
Frontier Forests	0.0%

The following points illustrate the process that took the Philippines from a largely forested country to one with limited forest resources, increasingly dependent on wood imports, and where the scarcity of domestic forests has encouraged both corruption and conflict.

- Industrial logging took off in 1904 when the American Insular Lumber Company was granted a 30,000-ha, 20-year renewable concession in northern Negros. Dipterocarps were targeted and sold as “Philippine mahogany.” Other concessions followed.
- The logging boom peaked in the mid-1970s when 230 timber license agreements (TLA) concessions operated with a combined annual allowable cut of 15,500,000 m³. This dropped 50-60% in the 1980’s and by 1989 dropped to 4,500,000 m³. By 1993, 33 concessions were operating with a combined cut allowance of less than 1,000,000 m³. A state logging ban was introduced in 1975, but was revoked three months later because of political pressure.
- President Ferdinand Marcos used forest concessions as a means to reward presidential allies and provide patronage during his 21 years in office (1965-1986 – US DOS, 2003). TLA concessions also played a major role in financing political candidates’ election campaigns. The 480 concessionaires amassed US \$42 billion over 20 years. Following Marcos’s removal from office in 1986 following the civil society rebellion that brought Corazon Aquino to power as President of the Philippines February 25, 1986 (US DOS, 2003) politicians retained direct and indirect interests in the logging industry (Global Witness, 2001).
- Institutionalization of community-based forest management (CBFM) is seen as the main government strategy towards the restructuring of the timber industry, formerly organized and controlled through TLA-concession (US DOS, 2003).

1. Identify forests managed primarily to generate revenues for fueling conflict.

Observers in the Philippines see forests entering into the conflict equation in three quite distinct ways. First, insurgents shelter in the forests (often in Mindanao and the southern islands of the Philippines archipelago where Muslims have long sought greater autonomy, but also in northern Luzon). (Mary Melnyk, personal communication). In the late 1980s New Peoples Army (NPA) units operated among other places in Mindoro, an island immediately south of Luzon and still relatively forested at the time (Eric Thomson, personal communication).

Second, insurgent groups appear to levy informal “logging taxes” on groups that fell timber in many parts of the Philippines. In Northern Luzon, when a “People’s Organization” receives an “allowable cut”

logging authorization, the NPA visits shortly thereafter to collect a rent on the operation (Melnyk, 2002). Those monies presumably help the NPA to sustain itself. It is also reported that the NPA directly controls illegal logging in Rizal province in Luzon.

Third, the Government of the Philippines (GOP) has, on occasion, allocated forests to insurgent groups as a form of peace offering, in hopes that those groups would be able to sustain themselves with income earned from exploiting forest products and so be less inclined to continue with insurgency actions. Observers suggest, however, that at least some insurgent groups do in fact use income derived from forests to continue their struggle (Melnyk, 2002).

Finally, in Mindanao the (Muslim) Moro National Liberation Front (MNLF) is logging in the Autonomous Region of Muslim Mindanao (ARMM). Members of some environmental NGO have tried to stop shipment of those logs when they leave ARMM areas. The Abu Sayef insurgent organization, with a strong base in the island of Basilan, may be engaging in conflict timber activities as Basilan retains appreciable areas of virgin forest (Steven Rood, personal communication).

2. Identify forests that harbor rebels, insurgents, or government-sponsored security units whose presence is the primary factor driving forest management decision making.

Conflict Timber areas are located primarily in Region 13 and Region 2, both areas where tensions exist between indigenous peoples and migrants. Region 13, in Mindanao, includes the provinces of Surigao del Norte, Surigao del Sur, Agusan del Norte and Agusan del Sur. One observer cites 137 deaths in timber-related conflict in the Agusan area (Melnyk, 2002). Mentioned particularly in Region 13 as insurgent areas were Surigao del Sur, Lianga Bay and Compostela.

Region 2, in Northern Luzon, includes Batanes, Cagayan, Isabela, Nueva Vizcaya and Quirino. All of these areas have enough remaining forest resources to attract logging operations.

Of significance is the fact that the NPA seem to function in some areas as “de facto forest protection committees,” curtailing or discouraging logging. But they also profit from it as well.

Concerning conflict timber incidents in the Philippines, Human Rights Watch has noted (Human Rights Watch, 1996):

- *Many timber concessions encompass or extend into lands populated by indigenous communities. Private actors, such as armed guards on logging concessions and timber plantations, have arbitrarily detained, killed, and forcibly displaced these and other forest dwellers. While the acts of these individuals are crimes, the government's consistent failure to prosecute the offenders constitutes a human rights violation.*
- *In several areas, local government authorities and members of the military involved in illegal logging (logging without a license) have, in their official capacities, harassed and punished officials and private individuals opposed to illegal logging.*
- *In forest areas where internal armed conflict has taken place, both sides have sought access to timber resources by targeting civilian populations, in violation of the laws of war. In the course of counterinsurgency operations in forest areas, government forces have committed human rights violations including the extrajudicial killing, mutilation, torture and rape of non-combatants.*
- *Conflicts with loggers and other lowlanders created a base of ready support among indigenous communities for the guerrilla insurgents of the New People's Army (NPA) during the 1970s and early 1980s.⁸ Upland forests provided ideal sanctuaries for NPA*

rebels, who attempted to organize tribal communities while, at the same time, collecting a substantial amount of revenue in "revolutionary taxes" on logging companies. The Aquino government reacted to the presence, or suspected presence, of rebel strongholds by launching increasingly large counterinsurgency operations in timber-rich areas throughout the late 1980s. Such counterinsurgency efforts often incorporated concession guards and paramilitary units paid by logging companies.

3. Identify forests where violent conflict occurs over forest resources that does not necessarily relate to a larger conflict issue and where local conflict ties more directly into local-level community access/user rights issues.

Clearing of mangrove for prawn farming is making those controlling the land rich (income of \$90,000 for 50 hectare of ponds costing \$5,000 to maintain), yet destroying the basis for community industries like milkfish farming.

In other areas, e.g., Mindanao, indigenous groups clash with immigrants over control of land and trees on the land.

In Bukidnon Province in North Central Mindanao, indigenous groups have claimed Mount Kitanglad National Park as an ancestral domain. It was reported that staff of the Department of Environment and Natural Resources (DENR) cannot get into the area and that one park superintendent was killed. The whole area is said to be contentious because of the number of overlapping claims.

4. Are there forests where several or all of these conditions exist?

Not relevant.

5. Types of communities living in or near these forests, or dependent on them either for specific products or for seasonal support.

Displacement of indigenous peoples through deforestation is of great concern. The National Federation of Indigenous Peoples of the Philippines (KAMP) has warned the government of future conflict if they approved of a government reforestation program that would legally dispossess indigenous people from their ancestral land (Trade and Environment Database, 2003).

More than 100,000 persons continue to depend on the forestry and hunting sectors as their main source of income; and wood-based products contribute around 3.5% of the country's total export earnings (Philippine Forest Management Bureau). In addition, populations in the millions now inhabit Philippines upland areas, location of much of the remaining forest. Most of those communities derive their income and sustenance from various agricultural and tree crops. Deforestation threatens these processes (see "Environmental Impacts and Damage," below).

6. Extent of harvesting, types of timber harvested, off-take rates.

Two general types of operations occur. The first, in TLA-concessions, is largely mechanized. Artisan logging operations also occur—some accurately characterized as "illegal logging" in the sense that those involved do not have official authorization. These typically involve teams of local loggers who fell trees and then logs using bullocks, to points where they can arrange for shipment to market.

7. Conditions under which timber is harvested and transported.

No information collected.

8. Verified, estimated, “guesstimated” environmental impacts and damage.

The loss of forests has affected watersheds with serious secondary effects. These include:

- Agriculture in the highlands affected by causing soil erosion;
- Flooding and sedimentation downstream resulting in loss of agricultural land, erratic water supply and power shortages; and
- Problems of upland degradation have been linked to social marginalization and political instability “both disempowered tribal and migrant upland communities have been attractive target audiences for manipulation by communist, Islamic, and other separatist groups, placing local forest communities in even greater conflict with the state” (www.mekonginfo.org).

9. Who is logging conflict timber, and how is that timber being converted into cash? Any pre-export processing, export routes, probable most important buyers/markets for conflict timber in each case, other associated conflict commodities?

Loggers are both professionals, employed by forest sector companies that engage in concession cuts, and local non-formal operations composed of teams recruited in local communities.

10. Country forestry sector policy—which actors influence policy setting (only domestic, or external as well)? Degree of concern for sustainable forestry incorporated in policy? Organizational structures to implement policy?

Politicians have played an important role in forestry in the Philippines because of the opportunities to extract rents from logging operations. The DENR has formal authority over the sector.

- To protect the timber industry the government maintains policies supporting logging. Import duties of 10% on whole logs and up to 50% on plywood discourage competition from cheaper imports. Retention of low forest extraction fees for concessionaires encourage active logging of remaining Dipterocarp forest.
- The opening of the highlands to forestry increased human pressure. By 1985, the indigenous highland population of 5.3 million was increased by 12.2 million migrants, of which 6.5 million settled on official forest lands. Migrants and indigenous communities were blamed for forest destruction.
- In 1979 two programs, the Family Approach to Reforestation (FAR) and the Communal Tree Farming (CTF) were established to offer security to people involved in upland tree planting to address poverty and tenure. The programs met political resistance and moved slowly. Local people’s claims to upland forest were often ignored in favor of political elites and logging interests.
- In 1982, the government established the Integrated Social Forestry Program to promote community-oriented upland initiatives with 25-year land certifications for families and community groups. Success was limited.

In 1990s community forest management was a component of the new constitution (Article II, Section 23), but no funds were provided. An effort to provide greater recognition of the rights of indigenous communities to upland forest utilization, Administrative Order No. 2, issued in 1992, describes

procedures for DENR task forces to demarcate ancestral land claims, yet funds for implementing the policy have never been allocated (www.mekonginfo.org).

11. Importance of timber in the national economy, and contribution of conflict timber proceeds to financing violence (e.g., if other conflict commodities involved, rough comparative importance of each).

Wood-based products contribute around 3.5% of the country's total export earnings (Philippine Forest Management Bureau, 1994).

Timber and timber incidents clearly help sustain insurgencies in the Philippines (see Number 1, above). Timber does not, however, constitute the sole source of financing for insurgent groups, which would appear to solicit contributions from or tax local populations to survive.

No information collected. The Philippines does, however, have numerous mineral resources and companies actively exploit these. Whether such companies are the target of NPA or other insurgent groups' rent-seeking activities could not be ascertained.

12. Genesis for the conflict: greed or grievance?

Conflict in the Philippines has been driven by both a desire for independence and poverty. A number of insurgent groups, going back to the Filipino guerrillas who strongly opposed, in the 1899-1902 Filipino-American War American occupation of the Philippines following the Spanish-American war in 1898 (US DOS, 2002).

13. Uses to which the proceeds from conflict timber sales are being allocated.

Several insurgent groups, including most prominently the NPA, the Moro National Liberation Front, and Abu Sayyef, appear to use money they derive from conflict timber operations to fund their insurgencies. These groups do not necessarily cut timber themselves; they appear to levy rents on entities that do, e.g., people's organizations, logging companies, etc.

DENR staff and politicians cannot be considered active combatants, but some of their policies certainly contribute to unrest in parts of the Philippines. When DENR staff *compel* communities to cut timber on their lands, they definitely create opportunities for themselves to collect rents.

Recently, the NPA has risen up again in some cases in defense of communities victimized by DENR corruption.

14. Commercial/bank routes through which sales transactions and placement of proceeds occur.

The Philippines now actively imports wood from a number of foreign sources. This suggests that conflict timber can be marketed in country to a number of purchasers.

DENR staff collect tolls on logging shipments at checkpoints, then the "National Peoples Army" comes and holds up DENR staff to take away the collected money. It is believed that those holding up the staff are not actually NPA, but DENR people. If this is in fact accurate, then government officials masquerading as NPA members are trying to kill two birds with one stone: they have institutionalize a novel approach to "laundering" illegal tolls through these mock thefts so that individual DENR staff can utilize proceeds of ad hoc toll operations as they see fit, probably for personal enrichment. Secondly, these activities clearly place the NPA in a bad light.

15. Type of political regime in conflict timber countries.

The Republic of the Philippines can be considered a functioning democracy. The polity is not without its problems (corruption, human rights abuses, economic stresses, etc.), but national elections have produced, since ex-President Ferdinand Marcos was driven from power by the “people power” revolution in 1986, three regularly elected presidents (Corazon Aquino [1986], Fidel Ramos [1992], Joseph Ejercito Estrada [1998]). Gloria Macapagal-Arroyo, Estrada’s Vice President, took over the presidency [January 2001] when Estrada was removed from power following an aborted impeachment proceedings. The Philippines Supreme Court approved the transfer of power. President Macapagal Arroyo has indicated that she will not seek a full term in the next presidential elections, scheduled for 2004.

The Philippines political system is generally modeled on the US system, with an elected president, bicameral legislation and independent judiciary (US DOS, 2002). The president is limited to a single full term.

The struggle for control of timber in the Philippines reflects in part a political system where the powerful in the past (initially under the Marcos regime) have seized opportunities to log timber on lands already populated and claimed, either by indigenous settlers or immigrants. Logging has produced truly impressive amounts of money, e.g., \$42 billion under Marcos’ regime. That amount of money will fund a number of electoral campaigns and leave a large remainder for personal enrichment.

Poverty has been a pervasive issue in the Philippines since the end of World War II. Efforts to move the country beyond the Asian financial crisis of the late 1990s have been less successful than they might otherwise have been because of ongoing revolts and insurgencies in the country. These struggles clearly concern issues larger than conflict timber. Yet conflict timber problems have contributed in the sense that rural people who find no other means to protect local forest resources may turn to insurgents for assistance, or be more amenable to insurgents’ appeals for aid. Investors have reportedly been wary of the Philippines because of political instability since the Cory Aquino administration (US DOS, 2002). The lack of investment explains in part the country’s downward trajectory from one of the richest Asian countries following World War II to one of the poorest. This situation is partly remedied by the impressive flow of remittances that Filipinos and Filipinas working abroad send back to the country.

Accountability has been a long-run problem in the Philippines, particularly under ex-President Marcos. He thoroughly centralized governance in the Philippines during his martial law regime (1973-mid-1981), almost entirely depriving local government units of autonomy and making them fully dependent for funds and authorization to dispense funds on approvals from the national bureaucracy in Manila.

Since 1992, under Corazon Aquino’s presidency, the Philippines has again devolved power to a large number of local government units, many of which seem, a decade later, to function quite effectively and quite democratically. Ex-President Marcos necessitated the devolution process in order to empower people to participate again in self-governance.

The DENR plays the largest role among domestic governance agencies in timber. DENR staff are often reported to be involved in rent-seeking activities that target timber.

16. Types of conflicts (e.g., rebellions, insurgencies, state-driven, etc.).

The two major forms of conflict involving timber have been identified in the Philippines: Type I Conflict Timber incidents (trees cut to finance conflict) and Type II incidents (conflict over trees). The first

involves confrontations among communities (or community groups) over control of forest resources. Such “tribal warfare” does in fact often effectively settle conflicts.¹⁶

The second set of conflicts involve several long-running insurgencies driven either by ideology, e.g., the Communist-inspired Huks, whose role in the system has been taken over subsequently by the NPA. Religious differences, for example the revolts in Mindanao led by Muslim groups seeking greater autonomy for their people in the largely Catholic Philippines.

17. Configuration of military forces.

The major protagonists are the national army and the various guerrilla units associated with the insurgencies. Local militias play a role in Type II conflicts.

The national army conforms to standard military patterns. The US military has advised Filipino colleagues for a number of decades. The guerrilla units are more informal operations.

Insurgents groups have proven resilient but, over the longer term, have found it increasingly difficult to resist military pressure brought to bear by the better-armed, better-trained national army. Now that the Americans have joined the fray on grounds that the Abu Sayyef and MNLF are both terrorist organizations, their support for the Philippines army (training, combat logistics) has tipped the balance even further, particularly against Muslim groups.

18. Political or economic impacts generated by conflict timber activities in Philippines.

The major political impacts concern the role of timber in funding the political process. Timber-financing political campaigns, while they do not necessarily involve conflict, have apparently come at the expense of local communities that lost valuable forest resources to TLA logging concessionaires who felled timber on their land without community authorization.

19. Interesting, significant, anomalous points concerning Vietnam.

Some insurgent groups, the NPA reportedly among them, have sought to protect forest resources in some areas of the country, presumably in an effort to preserve their own safe havens.

¹⁶ Melnyk, citing Steven Rood: Judging by Rood’s “experience in the Cordillera in Northern Luzon, most conflicts among indigenous peoples are settled locally or by tribal warfare. In general, he said that the property system still works properly in those areas “owned” by clans or descendants of those who planted the trees.” Interview, Manila, October 2002.

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VIETNAM CASE STUDY

1. Identify forests managed primarily to generate revenues for fueling conflict.

The Environment Assessment Program for Asia and the Pacific-United Nations Environment Program (EAPAP-UNEP) reports that in 1999:

1. Forestlands in Vietnam covered 19 million hectares (ha.), accounting for 58% of the total area of 33.2 million ha. of natural land for the whole country,
2. Actual forest cover comprised 28.8% (about half of the EAPAP-UNEP figure), and
3. Deforestation remains a widespread problem in Vietnam.

The following table shows distribution of forest areas and resources by region in early 1999 (in hectares).

Regions	Total Area	Forested Land			Non-Forest Lands	Other Lands
		Total	Natural Forests	Forest Plantation		
Whole country	33,111.7*	9,570.9	8,231.1	1,339.8	9,414.1	14,126.7
Northwest	3,595.3	542.4	462.9	79.5	2,205.1	847.8
North	3,332.5	863.8	666.7	197.1	1,385.0	1,083.7
Northeast	3,368.8	767.2	598.8	168.4	1,350.4	1,251.2
Red River Delta	1,251.2	65.1	22.7	42.4	26.0	1,160.1
North Central Coast	5,118.8	1,854.6	1,564.6	290.0	1,429.4	1,834.8
South Central Coast	4,587.5	1,653.1	1,439.6	213.5	1,276.2	1,658.2
Highland Plateau	5,556.6	3,168.5	3,085.6	82.9	1,264.0	1,124.1
Southeast	2,345.0	438.2	345.2	93.0	292.4	1,614.4
Mekong River Delta	3,956.0	218.0	45.0	173.0	185.6	3,552.4

Source: The nationwide forest resources change assessment in 1998-1999.

* Realized by the Forest Resources and Environment Center (FREC, code DBK/98.99).

No forests appear to be managed primarily to generate revenue to fuel conflict, yet low-level conflicts around these forests seem common.

2. Identify forests that harbor rebels, insurgents, or government-sponsored security units whose presence is the primary factor driving forest management decision making.

As the relevant Trade and Environment Database (TED, 2003) study indicates:

Vietnam's forest cover has shrunk from 44 percent of the country's total land area in 1943 to 28 percent or 9.3 million hectares today. During the Vietnam War, US military actions destroyed an estimated 4.9 million hectares of forest cover. Currently, the country's remaining two million hectares of natural forests are being reduced at a rate of 100,000 to 200,000 hectares per year. If present rates of deforestation continue, Vietnam's natural forests will disappear by the first part of the next decade.

Obviously, the forests provided physical cover in the Vietnam War. Decisions about forestry are now under government control. Their recent moves to protect forests for the services they provide appear to have generated much low-level conflict (see below).

3. Identify forests where violent conflict occurs over forest resources that does not necessarily relate to a larger conflict issue and where local conflict ties more directly into local-level community access/user rights issues.

The French news agency AFP reported (19 January 2002) that illegal logging violence had prompted the Vietnamese Prime Minister (PM) to crack down on illegal loggers. In 2001, loggers killed two forest rangers and seriously wounded another 11. Between 1996 and 2000, loggers killed a total of 12 forest rangers and injured 490. Loggers are reported to have used knives, guns, and explosives against rangers. Sharp cutbacks in legal logging have made illegal logging more profitable and encouraged such operations.

More importantly, as reported by the British Broadcasting Corporation (BBC, 7 February 2001) and many other agencies, in 2001, Vietnam's central highlands were swept by protests organized by ethnic minorities angry over land rights. Coordinated, multi-day protests by thousands of people in the area's main towns caused authorities to crack down.

The BBC report states:

A key reason behind the protests was the government turning the hill tribes' ancestral forests into the country's largest coffee-growing region, which has brought in lowland Vietnamese, the French news agency AFP reported. Also fuelling the protests was government repression of fringe Protestant churches, which have attracted many followers from ethnic minorities in recent years. The central highlands are home to many of the country's 54 ethnic minority hill tribes.

Time magazine (2003) notes that a crunch in coffee prices started the strife.

4. Are there forests where several or all of these conditions exist?

Probably not relevant.

5. Types of communities living in or near these forests, or dependent on them either for specific products or for seasonal support.

The Forests and Communities (2003) website notes that:

- Approximately 24 million people live in or around forests and depend on forests for their livelihood.
- Forests provide sources of income through the harvest and sale of bamboo, firewood, medicine, fruit, fodder, and game.

Official figures grossly understate the importance of forestry in the rural economy, indicating that forestry accounts for only two percent of the country's gross domestic product (GDP).

6. Extent of harvesting, types of timber harvested, off-take rates.

The World Wildlife Foundation (WWF) reports that the 100 forest-sector enterprises out of an initial 400 allowed to continue harvesting timber from natural forests after the logging ban in 1997 operate largely in the central highlands: Kon Tum, Gia Lai, Dak Lak, Lam Dong, and Dong Nai. Total extraction for 2001 was expected to be 200,000 m³. (AFP reported that authorized timber extraction has been slashed from 1.5 million m³ in 1996 to just 900,000 m³ in the year 2000.)

Plantation development has been encouraged. As WWF reports: “In light of this decision to significantly scale back logging in natural forests, plantation and regeneration initiatives have been emphasized. Indeed, such activities figure heavily in the Government of Vietnam’s ‘Five Million Hectare Reforestation Project,’ which will be crucial in determining forest policy over the next decade.”

Yet while Vietnam appears to be moving its land use toward plantation management, Vietnamese and Chinese demand for raw timber ensures illegal flows will continue into both countries from Cambodia and Lao PDR.

7. Conditions under which timber is harvested and transported.

Probably not relevant.

8. Verified, estimated, “guesstimated” environmental impacts and damage.

Unclear from available literature. The usual impacts are noted:

- Flooding,
- Destruction of farmland,
- Landslides, and
- Damage to fish stocks (caused by conversion of mangroves to shrimp ponds).

9. Who is logging conflict timber, and how is that timber being converted into cash? Any pre-export processing, export routes, probable most important buyers/markets for conflict timber in each case, other associated conflict commodities?

Possibly not relevant in Vietnam, yet relationships to logging and conflict in Cambodia may bear investigation.

10. Country forestry sector policy—which actors influence policy setting (only domestic, or external as well)? Degree of concern for sustainable forestry incorporated in policy? Organizational structures to implement policy?

Asian Development Bank (ADB) documents reveal the main institutions involved in environmental and forest resource management to be the Ministry of Science, Technology, and Environment (MOSTE) and the Ministry Agriculture and Rural Development (MARD). Yet the Ministry of Commerce, in 1993, issued a provisional blanket ban on the exports of wood products (TED, 2003):

The ban followed an announcement by the Prime Minister that all timber exports must be stopped immediately and existing contracts cancelled... In the month leading up to the reversal of policy, timber processors were complaining that the industry was on the point of collapse. According to the Bangkok Post, the ban sent the Prime Minister’s popularity plummeting among party officials in the southern and central provinces where the party apparatus has come to depend on timber exports as a major source of income. This



criticism was echoed in the party press. The organ of the Federation of Labor, Lao Dong, claimed that the ban had not touched the main culprits, corrupt officials who issued the logging and export permits. The army daily, Quan Doi Nhan Dan, said that it was necessary to export timber products to earn money for reforestation. Despite protestations to the contrary, the military has a large stake in the timber industry. The Prime Minister's order forced three army-owned sawmills in Qui Nhon to close. Despite the Prime Minister's softening of his earlier decision, illegal exports of timber are alleged to continue being shipped through Qui Nhon.

WWF reports that, in 1997, the prime minister ordered a temporary closing of forests resulting in suspension of logging activities in 300 out of the country's 400 State Forest Enterprises (SFEs):

In line with this thinking, but heeding calls for caution amid continued forest loss, the Ministry of Agriculture and Rural Development (MARD) has expressed a strong interest in pursuing new management techniques to improve natural forest management. With the "closure" still in place, but the demand for a revenue-generating forestry sector on the rise, production forest management in Vietnam is currently in a state of transition. This situation has opened a window of opportunity to introduce management tools which promote sustainable forest management (SFM).

Given Vietnamese interest in illegal logging in Cambodia and Lao PDR, one can argue that although the Vietnamese government is promoting SFM within its own borders, it fosters "business-as-usual" in neighboring countries.

11. Importance of timber in the national economy, and contribution of conflict timber proceeds to financing violence (e.g., if other conflict commodities involved, rough comparative importance of each).

To be determined.

12. Genesis for the conflict: greed or grievance?

Relevant at local level.

13. Uses to which the proceeds from conflict timber sales are being allocated.

To be determined.

14. Commercial/bank routes through which sales transactions and placement of proceeds occur.

To be determined.

15. Type of political regime in conflict timber countries.

Despite some liberalization since the early 1990s, the government of Vietnam continues to be organized as a one-party communist regime. The Communist Party of Vietnam is the country's principal political institution. In 1991, the Seventh Party Congress gave support to free market economic principles, but affirmed the continuation of one-party rule. A new constitution was adopted in 1992 that created a presidency and strengthened the roles of the National Assembly and PM. Although this reduced the overlap between the party and the state, the party remains the dominant political force. Almost all Cabinet

members are also members of the party's central committee, and 80% of the Assembly members are likewise party members.

The party contains conservative and reform factions. Conservatives worry about the negative effects of economic reform, especially corruption, while reformers favor greater separation of the party from government and an expanded role for the private sector. However, both are reformists in the sense that they agree the present system requires change, and both are conservative in the sense that they are reluctant to press change too quickly. The principal challenges they face include government corruption and the growing irrelevance of the communist political framework in an increasingly market-oriented society.

Despite elections for National Assembly, communist party dominance means the government is not directly or effectively accountable to the electorate. However, party/government officials are aware of public discontent and have taken steps to accommodate public pressure, e.g., by permitting market economic reforms such as private property. In the words of one political scientist, "Vietnamese rulers have no constituencies except their party leaders, and state bureaucrats identify their ultimate interests with those of the state as an autonomous organization. Loyalties lie with the state rather than with autonomous religious, ethnic, or class interests," (Neher, 228).

16. Types of conflicts (e.g., rebellions, insurgencies, state-driven, etc.).

There are no major, violent conflicts in Vietnam or between Vietnam and neighboring countries that would require a steady supply of financial resources whether derived from timber or some other natural resource. Substantial potential for such conflict exists, however, in the Central Highlands, a forested region that has experienced increasing unrest since 2001. Indeed, the harshness of the Vietnamese government's crackdown there since 2002 recently prompted Amnesty International and Human Rights Watch to issue lengthy reports on the region (Amnesty International, 2002; Human Rights Watch, 2003).

In February 2001, mass demonstrations by as many as 5,000 people from ethnic minority groups broke out in three provinces and continued over a period of nearly two months. They protested against local government corruption, loss of ancestral lands to ethnic Vietnamese settlers, and religious persecution (many members of ethnic minorities are Christian, while most Vietnamese are Buddhist) (Thayer, 82).

The unrest can be attributed to two principal causes (Guan, 348-50; and *The Economist*, 2001). The first was the influx of Vietnamese soldiers and their families into the region since the government established an "economic and defense zone" there in 1998. The army planned to settle a total of 13 regiments and 20,000 households into the region. The second was the impending resettlement of 100,000 people in the region because of the construction of a new hydroelectric plant. These massive social dislocations became enmeshed in broader concerns about human rights, religious freedom, and concern over government corruption.

Vietnam alleged that the second cause of the unrest was stirred up by indigenous Christian minorities supported by US-based Vietnamese émigrés. The US offered asylum to 24 minority group members who fled the Central Highlands to Cambodia. Their flight to Cambodia drew attention to an anti-Hanoi rebel group previously funded by the US, the United Front for the Liberation of Oppressed Peoples (known by its French acronym FULRO). This group continues to use the dense forests on the Cambodian side of the Vietnam-Cambodia border as a sanctuary. No information exists about any FULRO reliance on timber resources to fund its activities.

Reports note frequent attacks on forest rangers in the region. Settlers evidently continue to immigrate to the region to clear forests and plant coffee. This may be related to the “economic” aspects of the policy to establish an “economic and defense zone.”

17. Configuration of military forces.

“In addition to a mainly conscript army of 412,000, there is a navy of 42,000, an air and air defense force of 30,000, a border defense corps of 40,000, and reserves of about 4 million in the urban People’s Self-Defense Force and the rural People’s Militia.” (Economist Intelligence Unit, 10).

18. Political or economic impacts generated by conflict timber activities in Vietnam.

To be determined.

19. Interesting, significant, anomalous points concerning Vietnam.

Serious deforestation in Vietnam highland areas occasioned by efforts to plant high-value coffee and generates export earnings.

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