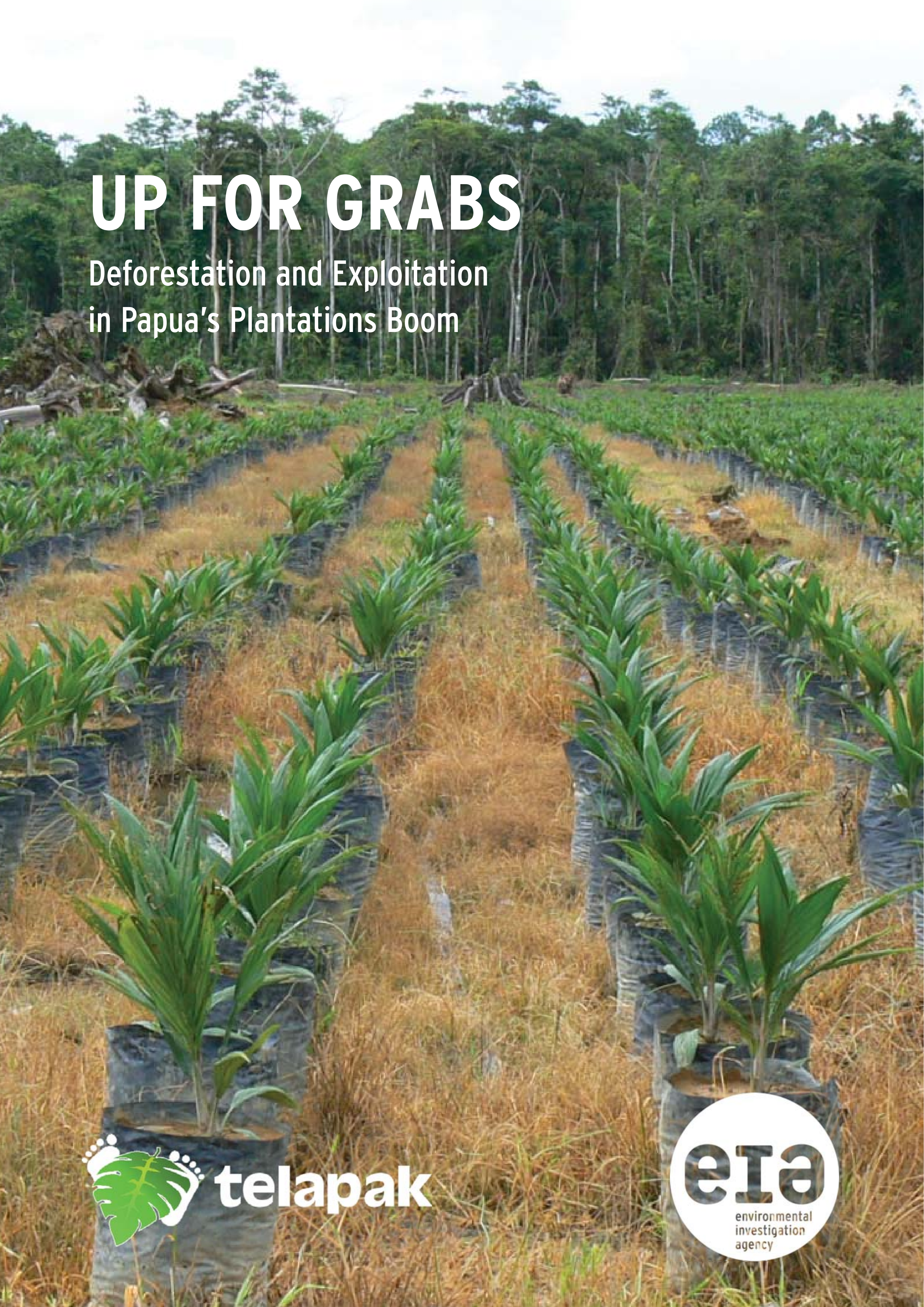
UP FOR GRABS

Deforestation and Exploitation in Papua's Plantations Boom



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FRONT COVER:
Oil palm replacing forest in Modan, Sorong, West Papua, April 2009. The plantation has not received relevant permits.

CONTENTS

TERMINOLOGY

In this report the term Papua applies to the Indonesian part of the island of New Guinea. Papua Province and West Papua Province refer to the two provinces which make up Papua. The term district refers to local regencies or kabupatens, the local administrative units which make up a province.

For Land Areas:
1 hectare (ha) = 2.47 Acres / 10,000 M^2 / 0.01KM^2 / 0.0038 Square Miles. For an idea of what this means, 30,000 hectares is equivalent to the size of Malta, 300,000 hectares is roughly three times the size of Hong Kong, and 1 million hectares is roughly the size of Cyprus.

INTRODUCTION

© EIA/Telapak, April 2009

The unique forests of Papua are under siege from the rampant spread of plantations. Up to five million hectares of land have been targeted for conversion to grow crops like oil palm, with the projected global demand for biofuels driving much of this conversion.

At stake is a major part of the last tropical forest wilderness in the entire Asia-Pacific region. Papua's forests host an amazing array of biodiversity, provide livelihoods for indigenous communities and are a vital carbon store.

The plantations boom in Papua is being promoted by the Indonesian government as a means of bringing development to Papua, and as a means of helping to curb climate change through increased use of biofuels. Neither of these claims stand up to close scrutiny.

Field investigations by the Environmental Investigation Agency (EIA) and Telapak reveal that in fact ill-prepared indigenous Papuan communities are being enticed, tricked and sometimes coerced into releasing large swathes of forested land to powerful conglomerates, backed by overseas investors and facilitated by the central and provincial governments.

Management of the plantations sector in Papua is chaotic. Unclear institutional arrangements between different levels and agencies of government, coupled with a chronic lack of transparency, create grey areas which the plantation companies are able to exploit. It is virtually impossible to get reliable figures from the government as to which plantation licences have been granted to which companies. In some areas firms have begun operations before receiving the necessary permits.

Evidence shows that negotiations between indigenous land owners and plantation companies are unequal and exploitative. Promised benefits, such as schooling, electricity and houses are seldom delivered. Compensation payments for land and timber are meagre. Children as young as four are required to sign contracts so that the firm can ensure it ties the land up for decades. It is the well-connected conglomerates and overseas investors who stand to capture the financial benefits of the massive plantation expansion, and not the Papuans.

The notion that the planned increase in palm oil production for biofuels will somehow assist efforts to tackle climate change is illusory. Felling Papua's forests on the planned scale will cause far greater greenhouse gas emissions than any potential biofuel benefits. Given that a fifth of greenhouse gas emissions are caused by deforestation, the fate of Papua's forests is of global concern.

The government of Indonesia deserves credit for taking decisive action to tackle illegal logging over the last few years. The tide was turned by an unprecedented enforcement operation in Papua in 2005. Yet its policy on plantations now poses a greater threat to Papua's forests than illegal logging.

An urgent review of the plantations sector in Papua is needed, and policies put in place to safeguard the needs of local communities and to protect the remaining forests, rather than the current destructive land grab.

EIA/Telapak
November 2009

ABOVE:
Oil palm seedling nurseries, like Medco Group's in Manokwari, above, are springing up across Papua as plantations spread.

© EIA/Telapak

PAPUA - THE LAST FONTIER

ABOVE:
Forest slated for conversion to oil palm for PT. Matoa Rimba Lestari's plantation in Urunum Guay District, Papua Province, September 2009.

Papua's unique forests form part of the last substantial tracts of intact tropical forest in the whole of the Asia-Pacific region, and the third largest remaining tropical forest wilderness in the world, after the Amazon and Congo Basin. As such Papua's forests are of global significance.

Indonesia's forests once stretched from Sumatra in the west to Papua in the east. Yet rampant deforestation over the last two decades has decimated these forests, with massive illegal logging, unsustainable legal logging and the rapid expansion of oil palm and industrial timber plantations taking place. The fate of Indonesia's forests has been dubbed an environmental crime on an epic scale. EIA/Telapak have documented how the once vast forests of Sumatra and Kalimantan have been pillaged by rapacious logging and plantation barons facilitated by corrupt police, military and government officials, with exploitation increasingly shifting to Papua and West Papua provinces.

Papua's forests harbour an incredible array of unique biodiversity, approximately 60 per cent of that found anywhere in Indonesia.[1] In recent years these forests have been described as a "garden of Eden" after international teams of explorers discovered a host of species new to science and the world.

These forests are also home to over 250 distinct tribal groups, some of the most culturally and linguistically diverse peoples in the world. These communities have managed the forests for generations, precisely because their daily livelihoods are inextricably linked to the forest resources. Papua's forests also contain literally hundreds of millions of tons of carbon.

Yet the unique forests of Papua are increasingly imperilled by Indonesian government policies aiming to convert millions of hectares into monoculture plantations, prompting a huge land grab by notorious conglomerates backed up by shadowy overseas investors.

FORESTS AND CLIMATE CHANGE

As global attention increasingly focuses on the threat of climate change, the importance of preserving forests has become more urgent. Forests sequester huge volumes of carbon from the atmosphere, while carbon emissions from deforestation and land use change currently produce up to 20 per cent of global carbon emissions. In 2000 deforestation worldwide generated eight billion tons of carbon dioxide (CO_2) emissions.[2] It is now recognised that any efforts to limit dangerous temperature increases are bound to fail if deforestation continues at the current rate.

Indonesia is a prime example of this dynamic. With one of the world's worst deforestation rates, averaging at around two million hectares a year in the first half of the decade, the country has the third largest CO_2 emissions in the world after China and the U.S. Up to 75 per cent of these emissions stem from deforestation. In 2007, forest loss and

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ABOVE AND LEFT:
Burning forests for oil palm plantations, as in Samarinda, East Kalimantan (pictured), has resulted in Indonesia becoming the third largest source of carbon emissions, with 75% stemming from deforestation. Demand for biofuels is hastening such deforestation in Papua.

land use change in Indonesia caused 2.56 billion tonnes of CO2 emissions – nearly 32 per cent of global emissions from these sources.[3]

Recent research indicates that Indonesia is highly vulnerable to the likely impacts of climate change. The Asian Development Bank predicts that South East Asian countries such as Indonesia will suffer far worse impacts from climate change than other areas of the world, and has estimated that inaction in Indonesia could cost 6.7 per cent of GDP by 2100, compared with an average global cost of 2.6 per cent.[4] In terms of South-East Asia, the Indonesian island of Java is highly vulnerable to the impacts of climate change, such as landslides, floods and droughts, with the capital Jakarta at particular risk.[5]

THE BIOFUELS CONTRADICTION

Rather than implementing policies to reduce deforestation and better serve the needs of local communities, the Indonesian government is pressing ahead with industrial-scale plantations, certain to provoke even higher emissions. To a large extent this policy is being driven by projected demand for biofuels, which have been heavily promoted by the international community as the basis for renewable “green” energy.

Indonesia is seeking to cash in on this new demand, and investors are rushing in to secure land banks to produce the “green-gold”, as biofuel feed stocks like oil palm and other crops are commonly described. Indeed, Indonesia’s stated goal of biodiesel providing 5 per cent of

CLIMATE IMPACTS OF PALM OIL

Recent research shows how converting forests into oil palm plantations for biofuel actually worsens climate change. A pilot study in Sumatra and Kalimantan looked at the emissions from land clearing and oil palm cultivation and processing, compared with potential climate benefits of the biofuel produced. Oil palm was found to store less than 40 tonnes biomass on average over a 25 year lifespan. Logged-over forest stored 70-200 tonnes carbon per hectare. Untouched forests contain even more, sometimes in excess of 400 tonnes per hectare.

The report showed that clearing even logged-over forest for oil palm results in a clear carbon debt – more greenhouse gas emissions are produced than avoided. It recommends limiting conversion for oil palm to land with less than 40 tonnes of carbon stock per hectare; meaning shrubland or grasslands.[9]

domestic fuel consumption by 2025, will require around 1.4 million hectares of new oil palm plantations alone.[6] Supplying a significant share of projected global demand for oil palm or other sources of biofuels, as Indonesia is planning to do, will dramatically increase the area given over to plantations.

An October 2009 report by the United Nations Environment Programme (UNEP) found that: “95 per cent of the increased production of palm oil in Malaysia and Indonesia was driven by the growing demand for biodiesel”, and that “two-thirds of the current expansion of palm oil cultivation in Indonesia is based on the conversion of rainforests.” UNEP summed up as follows: “If current trends continue, in 2030 the total rainforest area of Indonesia will have been reduced by 29 per cent as compared to 2005, and would only cover about 49 per cent of its original area from 1990.”[7]

Indonesia’s National Climate Change Council recognises that the country’s carbon emissions are expected to jump by two per cent per annum, reaching 3.6 gigatons by 2030, and has recommended a halt to deforestation to avert this increase.[8] Yet the Indonesian government still claims biofuels production will not mean deforestation. At a public meeting in Jakarta in 2007 to discuss the findings of the Stern Review on the Economics of Climate Change, the Secretary General of the Ministry of Forestry stated: “In terms of biofuel the government will use already converted land or bare land. It will not use natural forest”. Environment Minister Rachmat Witolaer concurred, claiming Indonesia “will not sacrifice any trees to develop biofuel plantations.” Such statements are at odds with realities on the ground in Papua.

BELOW:
People’s Representative Council, Jayapura, Papua Province. Unclear regulations on land use and forestry under special autonomy have produced a legal black hole easily exploited by investors and political interests.

POLITICS AND FORESTRY IN PAPUA

In 2001 the government of Indonesia launched special autonomy for Papua, developed as an alternative to the protracted independence struggle that has divided the two sides for decades. Despite this progressive policy, numerous reports point to ongoing conflict, increased militarisation, and a ban on foreign journalists.

Under the spirit of special autonomy provincial governments could explicitly protect the rights of indigenous Papuans to own and manage their land, resources and assets. Yet this aim has still to be realised. Vital regulations - *Perdasi* and *Perdasus* – required to translate the spirit of special autonomy into real changes in the lives of Papuans have not been effectively implemented, eight years after the autonomy law was passed. In this void Papua’s natural resources are still controlled by outside interests.

A plethora of overlapping agencies and offices at the local, provincial and national levels now regulate Papua’s forestry and natural resources, including its current plantations boom. With poor communication between these multiple institutions, bureaucratic inexperience, and corruption, the regulatory framework governing Papua’s plantations sector is chaotic and non-transparent.

The lack of clear regulations on land use and forestry has produced a legal black hole which is being exploited by investors and those with political interests in Papua. Responding to this, in June 2008 Papua's main NGO coalition, Foker LSM Papua, and EIA/Telapak called for a halt to new forestry and plantations deals until Perdasi and Perdasus on forestry, land rights and natural resources were implemented in ways which protected the rights and interests of indigenous Papuans.[10] Yet the deals and land grabs have continued.

ILLEGAL LOGGING IN PAPUA

Indonesia's poor track record of forest governance and rampant illegal logging is well documented[11] As the forests of Sumatra and Kalimantan have been decimated by years of over production, illegal logging and corruption, the country's untouchable timber bosses have increasingly turned their attention to Papua.

Between 2000 and 2005 massive illegal logging and timber smuggling activities focusing on merbau timber in Papua led to 300,000 cubic metres of logs flowing unimpeded to China every month for the flooring sector. This was a billion dollar a year racket coordinated by international criminal syndicates facilitated by corrupt officials and security apparatus at the highest levels. In Indonesia commercial stocks of merbau are only found in Papua. Papuans were being robbed, typically receiving just US$ 10 for timber fetching over US$ 250 in China and sold as flooring for US$ 2, 288 in the EU. Corrupt military officials were taking US$ 50 per cubic metre to ensure that illegal log shipments left the country unhindered.[12]

To its credit the Indonesian government of President Susilo Bambang Yudhoyono led an effective crackdown on illegal logging in 2005, but none of the big players have been successfully prosecuted. Instead of taking on the criminals, the government revoked most community forestry permits.
A study into corruption in Papua's forestry sector found that local Papuans receive less than five per cent of the US$ 400 million overall value of the logging industry.[13]

Since 2005 Papua's provincial government has tried to introduce a raft of measures designed to channel the value of Papua's forests to Papuans, including a prohibition on shipments of logs out of Papua to encourage local timber processing industries. The governor of Papua Province has pledged to "return the forest to the people" under special autonomy laws on forestry and land rights.

Yet central government policies still promote heavy logging of merbau with few benefits for local Papuans. In 2008, following EIA/Telapak reports of continued smuggling by merbau traders, the Ministry of Trade gave those same smugglers special dispensations to circumvent export rules for merbau, and subsequently weakened the law on exports of merbau, but no other species.[14] In 2008, merbau made up about 15 per cent of Indonesia's entire registered timber harvest volume. Over 2007 and 2008, merbau made up an average 31.4 per cent of Indonesia's total woodworking exports.[15]

BELOW:
Illegal merbau logs seized in 2005 are guarded by Kostrad Special Forces border troops prior to shipment from Haltekamp, Jayapura, Papua Province, in June 2007.

© EIA/Telapak

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LEFT:
Untouchable timber criminals like Abdul Rasyid, left, are supported by the highest echelons of Indonesia's government when reinventing themselves as legitimate plantations operators.

FROM ILLEGAL LOGGING TO OIL PALM

Some of the characters involved in Indonesia's rapidly-expanding oil palm sector have dubious business backgrounds. A prime example is former parliament member Abdul Rasyid. In 1999 EIA/Telapak revealed how Rasyid was behind the systematic theft of valuable timber from Tanjung Puting National Park in Central Kalimantan.[17] Rasyid's activities led him to be listed as one of the biggest illegal logging bosses in the country by the Ministry of Forestry. Despite this Rasyid was never prosecuted and has now reinvented himself as a palm oil tycoon. Through his oil palm company PT Citra Borneo Indah Rasyid has acquired a land bank of around 50,000 ha, around his stronghold of Pangkalanbun in the south of Central Kalimatan, worth around $200 million once the oil palms become productive. This land acquisition has been part-funded by loans from Bank Negara Indonesia. Rasyid continues to profit from high-level connections. A ceremony to break ground on one of his plantations was attended by the then Minister of Agriculture Anton Apriantono, media tycoon Surya Paloh and the governor of Central Kalimantan.[18]

Indonesia & Malaysia CPO Production & Trade 2000–2008

	2000	2005	2008
Indonesia			
Area Planted ('000 ha)	4,158	5,454	7,008
CPO Production ('000 tonnes)	7,001	11,862	18,090
CPO Exports ('000 tonnes)	4,110	10,376	14,650
Major Markets			
India:	1,639	901	
China:	438	493	
Netherlands:	593	383	
Malaysia			
Area Planted ('000 ha)	3,377	4,051	4,488
CPO Production ('000 tonnes)	10,842	14,962	17,734
CPO Exports ('000 tonnes)	8,140	13,192	15,300
Major Markets			
China:	1,009	2,882	
India:	1,946	1,147	
Netherlands:	489	1,239	
Pakistan:	1,025	890	

Sources:
- Production Figures: Ministry of Agriculture 2009; Malaysian Palm Oil Board 2009. cited in Palm Oil: The Sustainable Oil, World Growth, September 2009
- Trade Data: FAO & USDA

THE PUSH FOR PLANTATION EXPANSION

As the price of oil increased rapidly from 2005 the Indonesian economy was influenced in two ways. President Yudhoyono was forced to make politically painful domestic fuel subsidy cuts, and crude palm oil (CPO) prices boomed. Consequently, during 2006 and 2007, while Indonesia was gearing up to host the United Nations Framework Convention on Climate Change (UNFCCC) conference in Bali, the government rolled out an ambitious long term programme of plantations expansion, focused largely on oil palm, with a major biofuels development strand. The plan targets an expansion of oil palm nationwide from six million to twenty million hectares.

By early 2007 a range of policies had been launched to accelerate this programme, including Presidential Decree 5/2006 on National Energy Policy and Presidential Instruction 1/2006 on supply and utilization of biofuel, both of which established ambitious targets for significantly increased domestic biofuels consumption requirements. The government also passed a major new law designed to attract more foreign investment, and issued instructions to provincial governments to simplify plantation land use permits.[16] In the same year Indonesia finally reached its avowed goal of surpassing Malaysia to become the world's biggest palm oil producer.

To accommodate its ambitious plantation expansion plan the government specifically looked to Papua, launching various laws and major projects seeking to entice plantations investors there. The February 2007 regulation on plantation licensing processes dramatically increased the area of land that one company can exploit per province, from 20,000 to 100,000 ha, but dictated that "the limit of the size of plantation business areas in Papua Province shall be twice the maximum limit"[19] In the same year a Presidential Instruction to expedite the development process in Papua was released.[20]

In May 2008 the Director General for Plantations at the Indonesian Ministry of Agriculture stated: "After Sumatra and Kalimantan became too dense for new palm oil plantations, the only land available is in Papua".[21] Businesses have been heeding the call by targeting the last frontier forests of Papua for plantation expansion.

NATURAL RESOURCES AND DEVELOPMENT IN PAPUA – WHO BENEFITS?

As well as holding the Asia Pacific region's largest forests, Papua is blessed with an abundant wealth of natural resources, including huge volumes of precious timber, gold, copper, nickel, coal, gas and other resources. The world's biggest copper and gold mine, PT Freeport McMoRan, is located in central Papua and is Indonesia's biggest taxpayer, contributing US$1.7 billion to the state in 2007.

Yet despite being rich in resources the population of Papua lags far behind the rest of Indonesia in terms of human development. Papua and West Papua provinces suffer some of the lowest Human Development Index (HDI) scores in the country, with a 2005 score of 62.1 against a national average of 69.6.[22]

According to the government of Papua Province, in 2007 some 486,857 households representing 80 per cent of Papuans still live in poverty. A 2005 United Nations Development Programme (UNDP) report found that "Papua has the lowest level of adult literacy in the nation, standing at 74.4 per cent." The report added that only 47 per cent of children in Papua attend junior secondary school, and only 19 per cent attend senior secondary school.

UNDP also estimated that the region had only one doctor for every 2,000 – 23,000 people, depending on location.[23] Given Papua's disproportionate susceptibility to HIV/AIDS this is a particularly serious problem. Papua has the second highest HIV/AIDS infection rate in the country after the capital Jakarta. Without intensive intervention, HIV/AIDS infection is estimated to grow to 7 per cent of the population by 2025, a rate widely considered to be epidemic and unsustainable by experts.[24]

These human development indices illustrate that despite decades of natural resource exploitation in Papua few of the benefits have trickled down to the local communities. Given the past track record, the chances of Papuans benefiting from the plantations boom seem remote.

While oil palm plantations do indeed create jobs, the scale of the planned expansion will create a need for far more workers than the current population of Papua can provide. Indeed, in July 2007, the Minister for National Planning, Paskah Suzetta, said that the plantations investment and development plan for Papua would mean "there will be many more people coming into Papua, not just from other provinces, but also from other countries. So the people of Papua must be prepared."[25]

EIA/Telapak analysis shows that the volume of jobs created by the massive

BELOW:
Despite the huge wealth generated from Papua's natural resources, only 47% of children attend junior secondary school, and merely 19% attend senior secondary school.

© EIA/Telapak

plantations expansion in Papua could result in Papuans being marginalised by millions of new migrants. One million hectares of oil palm requires 333,000 workers - more than double the 135,000 unemployed in Papua. With the government planning at least five million hectares of plantations, a huge influx of migrant workers could take place, with the potential to greatly reduce the ethnic Papuan proportion of the population. Such a change will undoubtedly result in marginalisation and alienation of indigenous Papuans in their own land, likely leading to conflict.

With a history of systemic corruption, Indonesia's natural resources sector has traditionally seen the country's massive riches largely captured by political, commercial and military elites. Despite strong actions by the Anti-Corruption Commission (Komisi Pembarantasan Korupsi) since 2005, a recent Transparency International study into corruption in the logging industry indicated that 60 per cent of business people still admit to paying bribes to Indonesian officials in order to acquire licences.[26]

This revenue capture is particularly pronounced in Papua. A 2008 report summarising the complex political, social, security and environmental issues in Papua highlighted the negative impacts of natural resource exploitation:

"Up to the present, national economic development in Papua has concentrated on the exploitation of its natural resources. This is regarded as having ignored the wishes and the rights of the indigenous population to their traditional land. Taking people's land for economic programmes has led to conflicts between the owners of the land and the companies as well as the government. When these conflicts occur, the security forces always defend the interests of the companies or the government."[27]

Overall government funds are also certain to rise from tax and other plantation company revenues. While this will in turn bring potential benefits to Papuans, there are serious concerns that provincial and district governments in Papua are using special autonomy funds unwisely, or corruptly, and have so far failed to provide real benefits for Papuans. Although increased provincial budgets for Papua and West Papua have been made available by Jakarta, there is growing evidence that substantial amounts have been squandered. One senior West Papua Province official recently claimed that Rp 30 trillion (US$ 3 billion) had been squandered on government offices and officials through "incompetence", and expressed regret that the anti corruption agency (KPK) had not fully investigated the provinces.[28]

BELOW:
Marind Tribe members in Bade, Boven Digul. Most rural Papuans still rely on forest resources for their livelihoods.

OPPOSITE PAGE

TOP:
Illegal logging in Wasur National Park, Merauke, January 2006.

BOTTOM:
Forest Cover in Papua in 2006.

At the local level government officials are being targeted by powerful companies which preach the economic benefits of oil palm plantations in terms of local government revenue and development. Often it is an unequal negotiation. Even more unequal is the lobbying done by companies to persuade local communities to sign away their land for promised revenue and a host of benefits. Field investigations by EIA/Telapak reveal a catalogue of broken promises and pitiful payments for land rights

The government itself foresaw these problems in a 1998 review of agricultural development in Papua, which stated: “To take deliberately the most negative scenario, once the province becomes more attractive to investors … there will be a rush of applications for oil palm and other estate crops and for timber plantations. Unless management of implementation improves, there will be … outbreaks of malaria and other diseases, rampant poaching of the unique wildlife and other forest products, disruption of the hydrological cycle, and alienation of the indigenous peoples.”[29]

Over ten years later investigations by EIA/Telapak reveal that these fears are now becoming reality.

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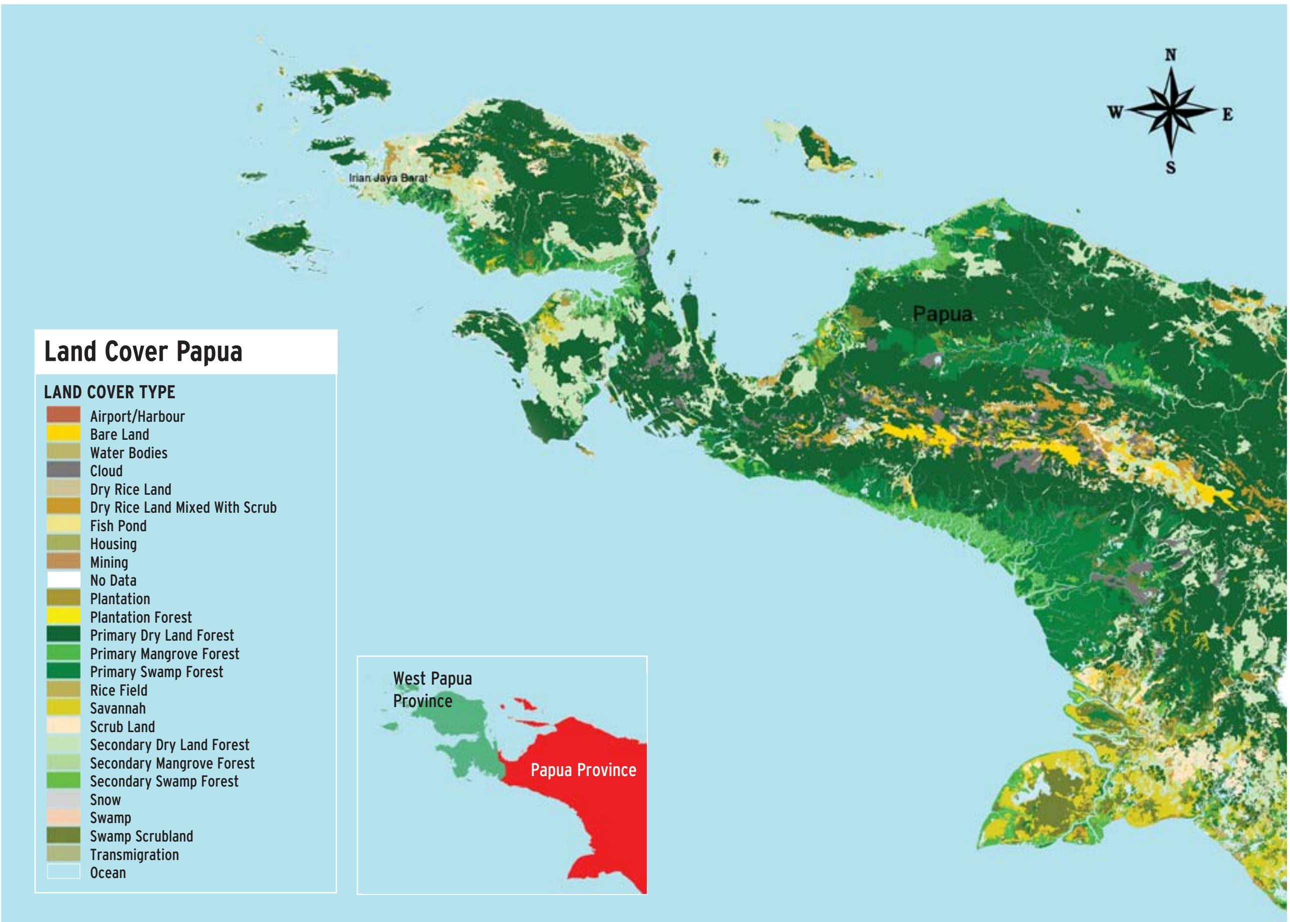

© Forest Watch Indonesia (FWI), 2006

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PAPUA'S PLANTATION BOOM

ABOVE:
Oil Palms replace Mooi tribe forests in Klamono, within the plantation of PT Henrison Inti Persada, a subsidiary of the Kayu Lapis Indonesia Group, April 2009.

In April 2007, the governors of Papua and West Papua provinces announced they were "committed to develop a pilot [REDD] project that encompasses … an area of no less than 500,000 ha. Both provinces are committed to reallocate up to 5 million ha of conversion forest for carbon trading."[30] REDD stands for reducing emissions from deforestation and forest degradation – an ambitious global plan to assign an economic value to forests which makes them worth more standing than felled.

At the UNFCCC climate talks in Bali in December 2007, the Governor of Papua Province, Barnabas Suebu, announced his new forestry policy – "From Forests for Death to Forests for Life". In it he claimed that Papua's forests would be managed sustainably in a way that would return the forest to the people, tackle land conflict, encourage local timber industry, and ensure only low conservation value forest would be used for plantations and biofuels development. The forests of Papua, he said, were "dedicated to save planet Earth and the future humanity".[31] During his speech Governor Suebu announced he would reduce the area of forest marked for conversion in Papua from 20 per cent to only five per cent, funded by carbon trading under a future REDD framework.

Yet by the following year such commendable aims already appeared to be unravelling. At a meeting with carbon traders Governor Suebu said:
"Papua now has 31.5 million hectares of forests, 50 percent of which are conservation forests, 20 percent are production forests and the remaining 30 percent are to be converted for multi-purpose use, including plantations, agriculture and housing," It seemed nine million hectares, the same area classified as conversion forest by the central government, were still to be cleared.[32]

Indeed, since late 2006 government officials in Jakarta and Papua have been preparing the way for investments from business tycoons seeking multi-million dollar land deals for a massive expansion of industrial scale plantations, mainly for oil palm and wood pulp production. A brief glance at the names of some of the key players involved in Papua's plantation boom demonstrates how wealthy, politically-connected individuals and companies are securing huge areas and are set to make billions of dollars.

EIA/Telapak encountered a chronic lack of transparency, coupled with confusing and overlapping government institutional arrangements making hard data on just how much land in Papua has been legally released for conversion to plantations difficult to obtain. Research by EIA/Telapak indicates that since late 2006 at least five million hectares of forests in Papua have been targeted by plantations companies working with the government, representing a huge land grab. Not all of the companies seeking land have already established plantations, and not all of the land under negotiation will be cleared and developed at once. In February 2009, the government of Papua Province indicated that 89 companies had received permission for plantations, but only ten had begun activities on the ground.[33] Financial constraints following the global economic crisis have deterred some of the large plantation investments in Papua over the past two yeas, but with economic growth picking up in Asia this could prove to be a temporary respite.

Since early 2007 various government planning and investment maps have outlined up to 2.8 million hectares of plantations in Papua Province alone. Data from the Papua Province Plantation Office in 2008 indicated specific applications by named investors targeting at least 2.4 million hectares. Yet, largely additional to this, at least five companies have targeted much larger areas of between one million hectares (Sinar Mas, Genting Group, Medco Group & the obscure Api Metra Palma). Such deals have been pursued largely behind the scenes.

Major areas being targeted for plantations in Papua Province include Merauke, Boven Digul & Mappi, areas around Jayapura (Arso, Lereh, Keerom, Sarmi, etc), Nabire, Mamberamo, Waropen, and Mimika. In West Papua Province, plantation hotspots include, Sorong, South Sorong, Manokwari, Kaimana, and Bintuni.

Previous programs to introduce oil palm plantations in Papua have not been successful, or provided credible development benefits to local Papuans. In Prafi district, Manokwari, in West Papua Province, state run company PT Perkebunan Nusantara II (PTPN II), has been operating since the early 1980s and has 10,500 ha of planted oil palm. By 2007 local communities had only just begun receiving payments of Rp. 1,000 per kilogramme for oil palm fruits, well below the promised price and landowners admitted regretting signing up to the scheme. In 1996 PTPN II opened another oil palm plantation in Keerom district, Papua Province. By 2008 local landowners were receiving just Rp. 300,000 ($30) per month due to difficulties in transporting the oil palm fruits to the processing factory.

EIA/TELAPAK FIELD INVESTIGATIONS

In a bid to document the impacts of the initial phase of expanding plantations in Papua, in 2009 EIA/Telapak investigators undertook a series of field visits to six remote regions in Papua and West Papua provinces where plantations are being planned or are already under development.

EIA/Telapak gathered testimony from local communities revealing that real concrete long term benefits for Papuans are uncertain and rarely contractual. Shockingly low compensation for land, mostly informally paid, is a common trend, as are low to non-existent revenues from timber clearance. In most areas visited local communities had not discussed the actual detail of concrete compensation and benefit sharing. Such first hand accounts paint a stark picture of exploitation, coercion and broken promises.

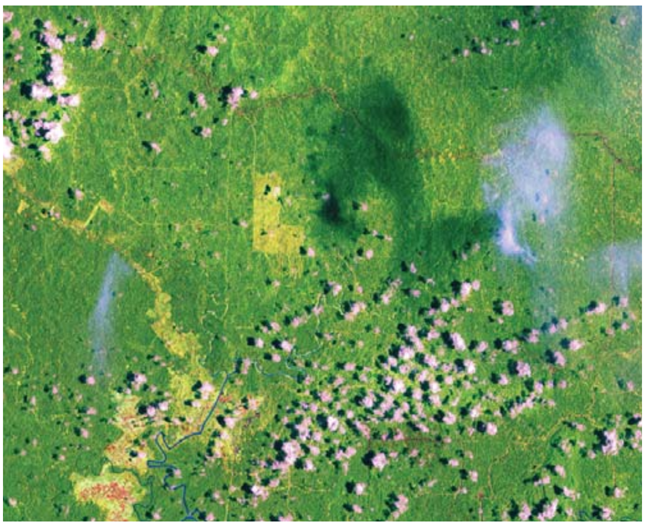
WEST PAPUA PROVINCE

KAYU LAPIS INDONESIA GROUP

Kayu Lapis Indonesia Group (KLI) was founded by Gunawan Sutanto but is now run by Agus Sutanto. KLI is the biggest forestry and plantations operator in the Sorong region of the Birds Head, West Papua Province. KLI holds a 333,000 ha logging concession (PT Intimpura Timber Co.), a plywood factory, (PT Henrison Iriana), and now four oil palm plantation companies, namely: PT Henrison Inti Persada (HIP), PT Inti Kebun Sejahtera (IKS), PT Inti Kebun Sawit, and PT Inti Kebun Lestari. In total the four oil palm subsidiaries have already secured or are seeking a land area of 142,000 ha for plantations. All of the KLI group's operations in the area are on the land of the Malamooi (or Mooi) tribe, who have been in conflict with the company since it came to Sorong.

BELOW LEFT:
Forest clearance by PT HIP in 2003, two years before the company received a permit

BELOW RIGHT:
Forest Clearance by PT HIP by 2009.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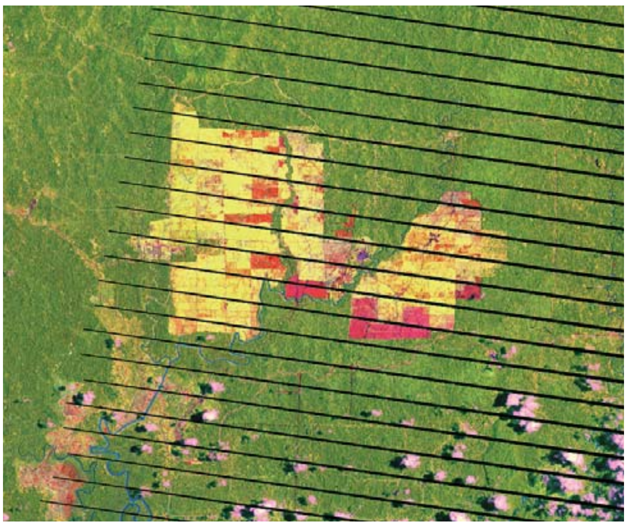
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ABOVE:
Mrs Maryodi Malak and her six year old son, Manu, survey deforestation by PT HIP in Klamono in April 2009. Manu was forced to sign a land release document when he was four years old.

During conversations with local villagers EIA/Telapak heard how KLI employed a range of underhand techniques to ensure that the Mooi people release their resources and land.

In Klawana, EIA/Telapak met Maryodi Malak, who related how HIP had persuaded her husband, Kefas Gifim, and son, Manu Gisim, to sign a land release document for four hectares of forest they owned. At the time her son was just four years old – well below the legal age to sign a contract. Mrs Malak said of the deal: "He gave his signature when he was four years old. So this company tricked him." PT HIP reportedly told Mrs Malak that they wanted the son of a clan leader to sign land release documents so that that if the father died there was proof that the next generation had entered into the agreement for the full 25 years, which could be extended for another 30 years. Mrs Malak said she had never received a copy of the document signed by her son's thumbprint. She also revealed how her request to HIP to leave a small area of forest land for her family to support their livelihoods was not honoured, and that the company had cleared more than the four hectares agreed.

Following the Asian financial crisis of the late 1990s the KLI Group was permitted by Indonesia's Financial Sector Policy Committee to restructure outstanding debts of US$ 140 million to state-owned Bank Mandiri, to be paid back in 2011. Some of its government debt was focused on its oil palm operations, but most was for its plywood mills.[34]

This debt restructuring deal effectively incentivizes the government to ensure the commercial success of KLI's operations. While owing the state US$ 140 million, the company appears to have avoided prosecution or license revocations when violating forestry laws, and has now embarked on an ambitious expansion plan.

In April 2009, EIA/Telapak visited Mooi communities and met land owners in two KLI Group plantations; PT Henrison Inti Persada (HIP) in Klamono district and PT Inti Kebun Sejahtera (IKS) in Salawati district.

PT Henrison Inti Persada

In Malalis village landowners from the Klasibin, Gilik and Doo clans told EIA/Telapak how PT HIP first approached them in 2004. Based on promises of payments for schooling, housing, vehicles and other benefits, the Klasibin and Doo clans agreed to release a total 830 ha of forest to HIP. In 2005 the two clans received just Rp. 20 million (US$ 2,000) each as "celebration money" for the land.

Villagers told EIA/Telapak that before full clearing began in 2006, KLI's logging company PT Intimpura extracted all of the large trees, followed later by a contracted company which cleared all the remaining trees. No payments were made for trees below 60 cm diameter.

Villagers that EIA/Telapak met in Klamono all agreed that the local government has unwaveringly promoted the business interests of HIP, while doing nothing to protect the interests of the community during negotiations with the company. In a 2006 meeting at the district official's (Bupati) office a 12 point plan of issues such as roads, schooling, housing, water, electricity, and other developments sought by the people was agreed. Yet the communities in Malalis, Klamono and Klawana said they had received none of these benefits when EIA/Telapak met them in April 2009, and have become increasingly frustrated.

These frustrations have led to occasional blockades by community members who see their resources being taken without adequate permission or compensation. When such conflicts have arisen, company representatives arrive with government officials to placate the communities with payments equivalent to a few hundred dollars. Yet the lack of any written legal contract means that more conflicts will likely break out in the absence of an equitable long-term deal.

Overall, the people felt let down in all of its interactions with the KLI group. Lucas Doo, who had at one point agreed to lease 400 ha to HIP, said: "The oil palm still is the same as Intimpura before. Completely the same. Tricking the community. Now we are suffering."

Before travelling to the Mooi lands EIA/Telapak had heard some of the history of the tribes' bad experiences with the KLI. In September 2006, a former Secretary General of the Ministry of Forestry revealed how officers from the Sorong military command had intimidated Mooi land owners into selling their timber at drastically reduced prices to PT Intimpura.[35]

HIP received a permit from the Minister of Forestry for a 32,546 ha oil palm plantation in Klamono district in 2006.[36] In November of the same year a Ministry of Forestry audit found that Intimpura had illegally utilized timber cleared from 600 ha of land while only having a permit covering 200 ha. The Ministry tracked the ensuing illegal timber to PT Henrison Iriana, KLI's plywood mill in Sorong. KLI's plywood supplies the Japanese, European and American markets. The Forestry Minister, M S Kaban, recommended that PT Intimpura should answer questions concerning utilization of illegal timber from 400 ha of land, and instructed the head of the West Papua Forestry and Agriculture Office to evaluate and revoke KLI's relevant wood utilization permits.[37]

In a documentary film released in November 2007 by the Sorong-based NGO Triton, oil palms in PT HIP's concession were already bearing fruit. As oil palms take at least three years to fruit, the film clearly showed HIP had been operating its oil palm plantation before all the relevant permits were acquired.[38]

Despite such evidence, in December 2007 the KLI Group was granted more Ministry of Forestry permits to harvest over 100,000 cubic metres of timber on over 6,000 ha of the Mooi tribe's land, within the HIP conversion area.[39]

PT Inti Kebun Sejahtera

In April EIA/Telapak met the Masinau and Matowol clans in Ninjimor village, Modan, who said they had released 1,340 ha to PT Inti Kebun Sejahtera (IKS), one of KLI's three new plantation ventures lying to the south of the PT HIP concession.

During discussions EIA/Telapak heard that in 2003 IKS and the local government had told the villagers that releasing land for plantations would improve their lives. The community did not consent and no deals were done. Incessant pressure from local government officials continued. In November 2007, the village head and land owner Lois Masinau went to a meeting at the Bupati's office and was told to accept the deal from IKS as the Bupati only gives permits to good companies. The previous November the Bupati of Sorong, John P. Wanane had issued a principle permit for three new KLI Group plantations totalling 110,000 ha[40] and a year later the company applied to the provincial forestry office for Plantation Business Licences for the three new areas.

Two clans from Ninjimor released forest land on the basis of these government recommendations and the company's

BELOW:
Lois Masinau, received merely US$ 1,000 for renting 441 ha of forest land in Modan to PT IKS, for an unknown period of time.

BOTTOM:
Oil palm seedlings ready to be planted out for PT IKS' plantation on newly deforested land, Modan, Sorong, April 2009.

© EIA/Telapak, April 2009

© EIA/Telapak

© EIA/Telapak

ABOVE:
An excavator tears down forest in Modan, Sorong, in April 2009. The company does not have a permit to operate.

promises of new housing, roads, vehicles, and long term education for local children, as well as revenues from timber harvesting. Yet the community signed no legal contract with IKS, KLI, or the government, so none of these incentives are legally guaranteed. For the 1,340 ha of forest, the two clans told EIA/Telapak they had received merely Rp. 20 million (US$ 2,000) between them, equivalent to under one and a half dollars per hectare. They were unaware of the lease length.

On agreeing to release the land, locals also asked that timber from the clearance be collected at log ponds, where it could be sorted, scaled, graded and auctioned at market price to get the best return. In response IKS told land owners that only valuable timber, such as merbau, was of interest, for which the company would pay an average of Rp. 25,000 (US$25) per cubic metre, regardless of species. This is around a tenth of the market price for merbau within Papua. The company then proceeded to sell the timber off immediately upon forest clearance, without revealing the volume of valuable timber felled.

From the 300 ha of formerly dense forest already cleared when the forestry office finally surveyed the area in September 2008, local land owners had received only Rp. 50 million between them (US$ 5,000) for the timber. At the price offered by IKS this represents merely 2,000 cubic metres of timber, equivalent to only 6.6 cubic metres per hectare. Yet KLI's permit to clear forests in the HIP concession, a similar forest area, stipulated a timber density of 16.5 cubic metres per hectare, indicating communities in Modan have been deceived.

EIA/Telapak investigations suggest that IKS has also carried out illegal land clearing activity similar to that committed by HIP. Meetings with local landowners affected by IKS' operations also highlight a pattern of exploitation of the Moi communities, with woefully low compensation.

In August 2009 government data on oil palm plans for the Sorong area listed IKS as "being in the process of licence acquisition" for 38,300 ha.[41] When EIA/Telapak visited the Modan area in April 2009 PT IKS was still actively clearing the forest, having far exceeded the 300 ha cleared by September 2008.

The community in Ninjimor informed EIA/Telapak that the company actually started forest clearance operations in Modan in January 2008, just two months after initially requesting a permit for plantation operations. In terms of the legal requirement to conduct an environmental impact assessment (AMDAL), all the community was aware of was a visit by forestry office consultants to survey the land in September 2008 – after at least 300 ha had already been cleared. Requirements under the AMDAL process to carry out consultations with affected communities had not been carried out.

The illegality of IKS' land clearance was raised during a September 2008 disagreement between the company and an oil firm operating in the area. During discussions between the two parties it emerged that IKS did not have the necessary permits from the local forestry office, with the oil firm claiming that the land was legally designated to it by the Indonesian Ministry of Energy and Natural Resources.

In response, rather than seeking to prosecute the company the local government set about legalising IKS' plantation operations. A local parliament member said in the media: "OK, they are operating, but the company must as soon as possible arrange all the conditions related to official permission so they are not illegal but legal."[42]

Given the track record of illegal practices and exploitation by KLI, a full official investigation into the firm's activities is long overdue.

THE MEDCO GROUP

Medco Group is a huge Indonesian corporation with interests in oil, gas, property and more recently oil palm and industrial forestry, notably in Papua. The group is controlled by Arifin Panigoro, an influential businessman and political player in Indonesia. Medco has been one of the most successful companies to date in Papua's plantations boom, having already secured an 18,000 ha oil palm plantation in Manokwari, West Papua province, and a 259,000 ha timber plantation in Merauke, Papua province. Medco is reportedly seeking one million hectares for various pulp and paper and oil palm and biofuels investments in Papua.[43]

Medco Group, through it's subsidiary PT Medco Papua Hijau Selaras (MPHS) has received licences for 18,000 ha of land, much of it forested, for oil palm in the Manokwari region as part of an agricultural development zone established by the government.[44] Medco has also asked local authorities for an option to expand this to 40,000 ha.

In 2008 local NGOs revealed that Medco was paying the local Meyah tribe landowners as little as US$ 45 per hectare for a 35 year lease of the land. In April 2009, EIA/Telapak travelled to Sidey and Masni districts in Manokwari to find out more details of the negotiations between villagers and Medco.

In Waramuy village in Sidey, EIA/Telapak met landowner Frans Aska who explained that Medco first approached the community in 2007. At this time not all of the clans approached agreed with the plan. According to Aska, Medco returned repeatedly, and subsequently flew him and nine other clan leaders to meet the company in Jakarta. Eventually, after having been promised education for their children, houses, bikes and other goods and services, they signed formal contracts in Manokwari in December 2008 – the only contracts seen by EIA/Telapak at all six plantations areas visited in 2009. Aska admitted he could not read well and had signed the contract with his thumbprint.

Scrutiny of Aska's land rental and usage contract with MPHS reveals that Medco has bought the rights to utilise 36 ha of Aska's land, covering "anything existing above and/or below the land", including timber, for a period of 35 years. These rights presumably extend to any minerals, or gas and oil or potential carbon rights. In return Aska received a total Rp. 16 million (US$ 1,640). This is equivalent to just over one dollar per hectare per year. When EIA/Telapak visited the area Medco had already cleared seven hectares of Aska's land for an oil palm seedling area. Aska and his family were

BELOW:
Franz Aska's thumb print on his contract with Medco Group. The company pays landowners merely US$ 45 per hectare.

BOTTOM:
Part of 7 ha of Franz Aska's land in Sidey, Manokwari, cleared for Medco Group's oil palm plantation nursery. April 2009.


KEDUA, maka semua hak dan/atau penggunaan atas
na 35 tahun sepenuhnya menjadi hak PIHAK KEDUA;

ara Penyerahan Hak atas Tanah ini dibuat dengan seben
al sebagaimana tercantum pada bagian awal Berita Acar
kemudian Pihak Pertama dan Pihak Kedua memb
ai tanda persetujuannya, dengan disaksikan oleh saksi-saksi
Distrik Sidey dan Kepala Kampung Meyof Untuk
imana mestinya.

A HIJAU SELARAS

PIHAK PERTAMA

Meteral Rp.6000,-

DILAH
ger

FRANS ASKA

y Simbar (BPN)
u (Kadishutbun)
Kapolpos Sidey)

© Telapak/EIA

© EIA/Telapak

© Greenpeace South East Asia

© EIA/Telapak

TOP:
Sagu forest being cleared and drained by Sinar Mas Group in Mambruk, Jayapura, West Papua province, in 2008.

ABOVE:
Arnesus Moktis had to fight to retain a copy of his 139 hectare land rental contract with the Medco Group.

being paid Rp. 44,000 a day to work in the seedling area, which is below the minimum wage set by the provincial governor.[45]

In Sidey village EIA/Telapak also met landowner Arnesus Moktis, who had signed a Medco contract in December 2008 for 139 ha. Both Aska and Moktis said they had been told that signing the land release contracts would lead to new housing, roads, electricity, water, and education for their children. Yet none of these services are mentioned in their contracts.

The benefits for landowners are extremely uncertain and will involve profound lifestyle changes. For agreeing to rent 18,000 ha for 35 years, EIA/Telapak estimate that the entire Meyah tribe will be paid just US$ 800,000. Medco can expect to make in the region of US$ 2.5 million a year, as it did on a 12,000 ha plantation in Sumatra in 2007.[46]

Indeed, it seems the Meyah tribe were pressured by Medco and the government to release their lands at such low prices. Moktis told EIA/Telapak: "There was pressure from the company, from the regional government. There was a manager of the company that pressured us when we tried to stop." He also said the company had more than halved their asking price for land payments.

PAPUA PROVINCE

SINAR MAS GROUP

The Sinar Mas Group, a subsidiary of the Widjaja family-owned Singapore listed Golden Agri Resources (GAR), is one of Indonesia's biggest plantations companies, and has been responsible for huge deforestation across Indonesia. In March 2009 GAR claimed to cultivate 396,000 ha of oil palm plantations in Indonesia, making it "one of the largest listed vertically integrated oil palm plantations and producers of crude and refined palm products in the world."[47]

GAR is also the parent company of Asia Pulp and Paper (APP), Indonesia's biggest pulp and paper producer. The company's suppliers control an estimated 1.4 million hectares of forest in Indonesia.[48]

During 2007, companies linked to APP's timber sourcing were accused of massive illegal logging in Riau, Sumatra, and in November 2007, a special team set up by President Yudhoyono to investigate the case recommended that the companies were prosecuted. Yet despite strong evidence the case was dropped by police.[49]

In March 2009, a conservation group claimed that: "APP is estimated to have pulped more than one million hectares of natural forests in Riau and Jambi provinces in Sumatra."[50]

After facing years of controversy for its forest destruction in Sumatra, Sinar Mas is now aggressively expanding its operations in Papua. The company already has 11,000 ha of established plantations in Papua, but in the past two years has been seeking at least a further million hectares of land for expansion.

In January 2007 Sinar Mas announced plans to invest US$ 5.5 billion with a Chinese state-owned firm to develop oil palm-based biodiesel production, centred on Papua and Kalimantan. By March, local Papuan parliamentarians were announcing their plan to find one million hectares of land for Sinar Mas in Boven Digoel, Mappi, Merauke, Sarmi and Jayapura.[51] Despite this deal now appearing to be on hold, Sinar Mas is pushing forward with its expansion plans.

Since early 2007 Sinar Mas has been screening films promoting the company and its oil palm expansion plans under the banner of development. One of the films shows, landowners from Boven Digul being given a tour of Sinar Mas plantations in Pekanbaru, Sumatra.[52] Such trips have been provided by many plantations companies in their efforts to persuade landowners to sign away land in Papua.

Internal planning documents from 2007, seen by EIA/Telapak, cite that to evade restrictions on one company controlling more than 200,000 ha of oil palm in Papua, Sinar Mas had established a host of front companies to apply for plantations, including six companies seeking 637,725 ha in Mappi and six companies seeking 914,117 ha in Boven Digul.[53]

Sinar Mas is seeking to fund part of its huge expansion plans through a share issue in Golden Agri Resources (GAR). At least US$ 4 million of the capital raised will "support the company's organic growth by funding the acquisition of land, the planting of palm trees, and the building of new mills and refineries."[54]

In September 2009, EIA/Telapak travelled to Lereh in Kaureh district, Jayapura, to meet members of the Kaureh-Yapsi tribe and learn about the impact of Sinar Mas' activities. Again the story was one of frustration and anger at the limited benefits the community had derived from the plantation, despite promises of development.

In Sisik, near Lereh, landowners and community members explained how their parents had released land to Sinar Mas in 1991. Locals stated that at the time they had had requested a truck for each clan in exchange for the land, and had been promised compensation equal to 0.5 per cent of the value of palm oil from the plantation once it began producing. The landowners also received Rp. 11 million (US$ 1,100) per clan in land release payments. Yet again such assurances were verbal with no binding contract with the company.

Over the ensuing years, the promised benefits of Sinar Mas' plantation failed to materialize. The community complained that they have never received the trucks from Sinar Mas, and once payments for CPO sales began in around 2001 they were paltry – up to Rp. 500,000 (US$ 50) per clan every three months. Although payments had risen to one million rupiah (US$ 100) in August 2009 there was no guarantee this increase was permanent.

One community member, Simon Yamle, said: "We thought this money did not suffice for all of the member residents of each clan. Because the amount of money was very minimal, very small." Another local man, Octavianus Bitaba said: "Until now we have already been waiting more than ten years. This company Sinar Mas only lives and works on the basis of promises." Thirteen years after agreeing to give up their land the local community has yet to see the promised development and income.

Due to growing dissatisfaction landowners are now demanding substantial compensation from Sinar Mas for the exploitation of their land and resources. EIA/Telapak was given copies of letters written to Sinar Mas in September 2008 and August 2009 and copied to a host of local and national government officials. The documents cite failure by the company to pay for timber felled on clan lands, in contravention of a decree by the provincial governor, and contravention of a Ministry of Agriculture regulation setting aside twenty per cent of plantation areas for local communities. In total the landowners are seeking around Rp. 235 billion ($24 million) in compensation.

EIA/Telapak learned that the community had received no help from the government in negotiating a better deal with Sinar

BELOW:
Sagu forest replaced with Sinar Mas oil palms in Mambruk, Jayapura, 2008. Sagu is the staple food for rural Papuans. The Yapse Kaureh tribe landowners have claimed US$ 24 million compensation from Sinar Mas.

Mas, and most locals assume the government and the company work together. Again, this is a common feeling amongst villagers in Papua's plantation areas.

Sinar Mas is currently expanding the Lereh concession into Mambuk, where thousands of hectares of dense forests are being cleared. The potential for conflict with disgruntled communities is high. In its share issue document GAR states: "The Group's principal social concern relates to possible conflicts with local communities around its plantations." Yet the group also reassures potential investors by stating: "Environmental regulations and social practices in the countries in which the Group operates tend to be less stringent than in developed countries." [55]

BELOW:
Manen tribe leader, Augustine. P. F. Kres: "It is necessary to restrict the oil palm plantation that will transform the forest to nothing."

BOTTOM:
Rajawali Group's Daryoto Setiawan – "In some years to come, Papua will stand out as one of the biggest and the best palm oil development centres in the world".


© Foker LSM Papua, January 2008

RAJAWALI GROUP

PT. Tandan Sawita Papua, a subsidiary of the Rajawali Group, has a permit to clear 26,000 ha of forest for oil palm in East Arso district, Keerom, adjacent to the border with Papua New Guinea. This is despite local Manen tribe communities repeatedly refusing Rajawali's advances. The Rajawali Group is owned by influential tycoon Peter Sondakh, reportedly Indonesia's fifth richest person. Its core activities are a rapidly expanding plantations business, property and mining.[56]

Efforts by the community to promote a model of small-scale chocolate cultivation rather than widespread clearance for oil palm have been rebuffed by the local government. A local clan leader, Augustine. P. F. Kres, explained the resistance to palm oil: "The people of Keerom have life because they have indigenous land and forest. If the traditional forest is finished then mankind and his life is finished", adding that "it is necessary to restrict the oil palm plantation that will transform the forest to nothing." [57]

Having granted the final permit to Rajawali, Governor Suebu spoke at the opening ceremony for the plantation in January 2008, claiming it would usher in "a new day for a better future. A future that is more secure, peaceful, just and prosperous for us all." Daryoto Setiawan, who heads up Rajawali's Keerom plantation, said: "In some years to come, Papua will stand out as one of the biggest and the best palm oil development centres in the world".[58]

It seems that local communities are deeply sceptical of the promised new future. After being persuaded to give up land during a Rajawali-organised trip to tour a plantation in South Kalimantan, and inducement payments being given to local leaders, the lack of compensation led community members to seize the keys to bulldozers in a bid to halt Rajawali's land clearance.[59]

On visiting Yetti village in East Arso in September 2009, EIA/Telapak investigators learned that the community had refused the plantation three times because they did not want all of their land to be converted to oil palm. EIA/Telapak heard from the tribal leader of Yetti, Martin Putuy, how negotiations between the government and company since the protests had resulted in some land owners being prepared to give up land, though many still did not agree. He estimated that perhaps half of the land Rajawali has a permit for might be released, though no final agreement had been made.

While in Yetti, EIA/Telapak heard how several teams of forestry department officials, accompanied by the military, were surveying the forests with local leaders to establish which areas could be converted. Some locals were still not happy, and had built road blocks to prevent the officials accessing their land. Efforts to resist the plantation are complicated by the fact Keerom is part of a heavily-militarised "red" zone. Local NGOs and human rights activists have reported repeated intimidation by security apparatus in relation to forestry and plantations development in Keerom.[60]

The Rajawali Group is a member of the United Nations Global Compact. In its Progress report for 2007-2008, Chairman Peter Sondakh said: "Our plantation business unit is guided by strong commitment towards protection and conservation of the environment".[61]


© Foker LSM Papua, January 2008

MERAUKE – POLITICAL PLANTATIONS

Having been one of the earliest transmigration sites in Papua during the Suharto regime, the southern region of Papua Province, composed of the districts Merauke, Boven Digul and Mappi, has seen the biggest impacts of Papua's plantation boom. The region's flat terrain and its forest stock make the area attractive for logging, plantations, and other agricultural activities, and it contains the largest areas of forest marked for conversion in the province.

The region contains a unique variety of ecosystems, including tropical lowland forests, mangroves, eucalyptus forests, and savannas. It features part of the world renowned Transfly eco-region covering more than ten million hectares and spanning both Papua and Papua New Guinea. Wasur National Park, which runs from near Merauke town up to the border with Papua New Guinea, is a globally significant protected wetland site.

Between January and August 2007, local government officials granted principle permission for a range of large plantations, including oil palm and timber, covering at least 1.5 million hectares.[62] In late 2007, the Bupati of Merauke announced that a further 4.5 million hectares were available for plantations, effectively the entire district.[63] Data from the provincial forestry office indicate that of 1.2 million hectares of land being targeted for plantations in Merauke, almost one million hectares are classified as forested.[64]

Among the main plantations investors in Merauke is the Medco Group, which is spending Rp. 20 trillion (US$ 2 billion) in a huge industrial timber plantation and factory for the production of pulp and paper. Through its subsidiary PT Selaras Inti Semesta (PT SIS) the firm has secured permits for a 259,000 timber plantation.[65] Analysis of these permits indicates that that PT SIS stands to obtain up to 15 million cubic metres of timber from natural forests in its concession.

In June 2008 another Medco Group subsidiary PT Medcopapua Industri Lestari was granted a licence to operate a new pulp mill on 2,800 ha in Buepe village, Kaptel district, Merauke, capable of processing two million tons of pulp a year. Local media reported that Medco actually began breaking ground on the factory land in February 2008, a year before timber harvesting permits had been received.[66] The arrival of the company has created deep divisions within the local Marind community, with allegations that the acquisition of the land for the factory violated indigenous customs on land rights.[67]

Medco is also planning a large joint venture with Korean firm LG International (part of the well-known consumer electronics giant LG Group) focusing on one million hectares of timber plantations in Merauke.[68] According to management plans "The … land will be divided into six regions in which all broad-leaved trees in one of the six regions will be completely cut down", to produce 1.4 million tons of wood chip and 3.6 million tons of wood pellet a year for energy production.[69]

One of the largest proposed plantation schemes in the region is the Merauke Integrated Food and Energy Estate (MIFEE), part of a central government plan to transform the area into a vast agricultural zone. To fulfil this plan the government has sought investment from the Middle East, China and Korea, with the scheme set to cover 1.7 million hectares.[70]

The planned massive expansion of plantations in Merauke is connected to efforts by the Merauke regency government, led by the ambitious Bupati Johanes Gluba Gebze to create a new province – South Papua Province – in the district. As Gebze is in his last term as Bupati of Merauke becoming a governor of a new province offers a chance of retaining power. Influential individuals based in Jakarta supporting Gebze's new province have been described as an

BELOW:
Korindo Group's palm oil mill in Boven Digul. Locals say they have benefited little from the operations.

© SKP KAM

Top 5 Conversion Forest Areas – Papua Province

Kabupaten	Total (ha)	Conversion Forest (ha)	% of total as HPK
Merauke	4,350,789	1,412,988	32.5%
Mappi	2,614,050	873,354	33.4%
Boven Digul	2,726,932	809,909	29.7%
Mimika	2,131,049	507,327	23.8%
Sarmi	3,218,524	381,780	11.8%

Seksi Pemantauan dan Evaluasi Hutan Produksi, August 2009, www.bpphp17.web.id/database/data%200809/A2.htm

TOP:
Indonesian troops disembark at Merauke in 2007. 3000 soldiers are stationed in plantation expansion areas across Merauke and Boven Digul.

ABOVE:
The plantation expansion plans of Johannes Gluba Gebze, Bupati of Merauke (left of image), are connected to his aspirations for a new province, an initiative reportedly supported by an "alliance of military and nationalist figures".

"alliance of military and nationalist figures working hand-in-glove with local politicians".[71]

The combination of Gebze's political aspirations, central government interests and the potentially huge investment in plantations expansion, has created a climate of intimidation towards anyone who opposes the plantations or new province. Local sources report that irregular groups allied to Gebze work in unison with the state security forces to monitor and intimidate any dissenters in the region.

Up to 3000 soldiers are stationed across the Merauke and Boven Digul region, with security posts every five kilometres along the road between Merauke and Muting and Asiki in Boven Digul to the Northeast.[72] The military personnel are reported to safeguard the interests of timber and plantation firms active in the area. One prime example is the company Korindo which has a large oil palm plantation and plywood mill. Reports allege that the firm makes regular payments to the military[73], which is embroiled in disputes with local communities over its operations.[74]

OVERSEAS INVESTORS CASH IN

As the new green energy revolution is promoted as a response to climate change, executives in the boardrooms of international conglomerates have been busy finding ways to cash in on the anticipated surge in demand for biofuels.

EIA/Telapak research has identified several multimillion dollar deals for huge swathes of Papua's forests involving financiers and corporations from Hong Kong, Singapore, and offshore tax havens such as the British Virgin Islands, seeking to take advantage of Indonesia's generous incentives and reinventing themselves as "green" plantations companies. Working with well-connected local partners under Indonesia's new and generous foreign investment law, investors from China, Korea, Singapore, Malaysia, and the Middle East are scrambling to carve out a piece of the Papua plantations boom.

Such deals are redefining the boundaries of Papua's forests and the lives of indigenous Papuans.

One example of major overseas investment in Papua's oil palm sector is the complex deal involving Hong Kong-based CCT Resources.

CCT RESOURCES - IMPROVING THE FOREST WITH OIL PALM

On 12th August 2008 a company registered in the Cayman Islands, CCT Resources Holdings Limited (CCT), purchased a 313,500 ha forest concession in the remote Mimika regency on the southern coast of Papua province. The company plans to convert 200,000 ha of the concession to oil palm.

The deal involved CCT buying the Merdeka Timber Group Ltd. (MTG), for around US$ 100 million through funds issued to Merdeka Commodities Limited (MCL) which is registered in the British Virgin Islands.[75]

The sum paid, equivalent to merely US$ 320 per hectare, seems to be based on a 2008 valuation report by Pöyry Forest Industry, estimating timber stocks on land held by MCL to be worth approximately US$ 148 million. The report says that the land is largely forested, much of it virgin, stating that: "Almost no land in the Mimika concession area has been developed or changed from its original condition".[76]

The forest area acquired by CCT is split into three concessions known as the Eastern, Central and Western Blocks. Pöyry's survey revels that much of the land contains shallow to deep peat deposits, likely storing significant carbon stocks. Total commercial timber stocks in the land purchased by CCT is estimated at just under three million cubic metres. This figure is based on the selective logging model of a forestry concession, not a total clearance for oil palm. If the conversion to oil palm takes place as planned the timber revenues to CCT Resources will far outstrip Pöyry's estimated timber stocks valuation of US$ 150 million, the basis of the acquisition cost.

CCT is a new player in the plantations and logging sector, and it's board claims it will improve the dense forest with its vital carbon stocks by felling it. The company states "For the good future of people and environment, the MTG Group aims to improve the forest area by replanting oil palm trees". It is planning to cash in on expected demand for biofuel derived from oil palm "due to the commitment of most industrialized countries to reduce green house gas emissions." In fact felling 200,000 ha of virtually untouched forest, part of which lies on peat, and replacing it with oil palm will increase greenhouse gas emissions way beyond any potential climate benefits of the biofuel produced (see page 4).

CCT reports and other financial data indicate that Merdeka Timber Group is almost entirely controlled by one businessman, Lai Wing Hung. Lai is listed as a director of Merdeka Timber Group, and Merdeka Timber Trading, which are based in Hong Kong.[77] Lai also has a controlling share of votes in CCT Resources Holdings. He is said to have owned forests in Indonesia and Latin America and is politically well-connected.[78]

CCT appears to possess useful connections in mainland China. Its advisory committee includes a delegate to the 16th National Congress of the Communist Party of the People's Republic of China, and a former director of the energy office of the powerful State Development and Reform Commission, and its senior management includes a former representative of the State Forestry Administration.[79]

Other figures involved in the deal are Sontang Alboin Manurung and Ray Gutafson Manurung, from Sumatra, who own a share of PT Merdeka Tapare Timber a company majority-owned by MTG that is set to get the licences for establishing and operating mills processing the timber coming out of the concession areas.[80]

In July 2009 the head of Mimika's forestry, plantations and horticulture office announced that PT Merdeka Plantation Indonesia, another MTG subsidiary was one of two companies to develop oil palm plantations in Mimika. He said the Papua Governor Suebu had already granted a permit for its plantation, and that despite not yet having received a permit to utilise timber cut during forest clearance, it had already opened a seedling area, and would begin large scale operations in the near future.[81]

CCT reported that in the first quarter of 2009 it had "started to harvest trees from the forest to build the sawmill and forest road paths", and that "sale of timber products is expected in the second half of 2009". The company clearly expects a big return on its investment, citing the "huge demand for timber and wood products versus scarce supply" and "huge business growth potential because demand for palm oil as an alternative source of energy to fossil fuels has been increasing".[82]

In May 2008, as CCT was preparing its acquisition of Merdeka Timber Group, the Papua provincial government and Mimika district government were signing cooperation agreements with carbon traders, exploring ways of preventing deforestation through capitalising on the carbon stocks held in the forests.[83]

One senior Mimika government official, Marthin Giay, expressed support for the idea, saying: "The regional government very much agrees with the campaign to preserve forests in Papua, because already much forest in Papua has been plundered."

Yet other officials were already working with the Merdeka Timber Group, soon to be bought by CCT. The Head of New Mimika District, James Noldy Sumigar was already working to facilitate PT Merdeka Timber's forest clearance activities, so that oil palm could be planted.[84] Furthermore, EIA/Telapak have discovered that the previous regent of Mimika, Aloysius Rafra, is now a commissioner of PT Merdeka Plantation Indonesia, the subsidiary charged with developing the plantation.[85]

It appears that the potential profits from the logging and oil palm business have eclipsed efforts to protect the area's forests. For instance the East Block of CCTs new concession holds large amounts of valuable merbau trees equivalent to 15 cubic metres per hectare. At current prices the merbau from each hectare would fetch around US$ 7,500, over twenty times the price paid per hectare by CCT. When other timber species are included, such as matoa, mersawa and nyatoh, each hectare holds an average 129 cubic metres of marketable timber. Big profits beckon for CCT from its planned forest destruction.

BELOW:
Millionaires flitting between the glittering financial centres of Hong Kong and Singapore, and tax havens such as the British Virgin Islands are reaping the rewards of Papua's bio-fuel driven deforestation surge.

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FORESTS FOR THE PEOPLE

ABOVE:
Locals salvage timber from forests to be cleared by the Medco Group in Manokwari, April 2009.

OPPOSITE PAGE:

Papuans still rely on forests for their daily needs, including: materials for building and local handicrafts (top), and Sagu – the staple food for Papuans (bottom right). Small scale chocolate plantations (bottom left) have been supported by locals. Such activities could continue within forest landscapes preserved through funding for reducing deforestation, or REDD.

An alternative vision to the massive expansion of plantations is urgently needed to ensure that the forest resources of Papua are managed sustainably for the benefit of local communities, rather than for the enrichment of outside interests. Empowering Papuans to build sustainable livelihoods by possessing the right to manage their natural resources is vital.

Community forestry

Papuans want to manage their land and resources themselves, and if designed and implemented well, community forestry represents a clear and suitable path to sustainable development for Papuans.

While community forestry permits were available under a previous scheme (termed IPKMA), these were badly designed and implemented at the central and provincial levels, with communities having little capacity for and no assistance in managing large areas of forests. As such, these permits were hijacked by predatory logging companies who used communities' permits merely to access timber, leading to rampant exploitation, illegal felling, and one of the world's biggest log smuggling rackets. IPMKA permits were subsequently revoked by the central government in 2005 as a response to uncontrolled illegal logging, and now Papuans have no legal right to harvest or profit from timber on their land. When Papuans harvest timber on their land, they are doing so in contravention of the law. This means that they are prone to supply sawmills for low prices and the threat of demands for bribes from officials. If designed on the correct scale and communities are helped and guided effectively in implementation, allowing Papuans to undertake community forestry to earn an income remains a sound policy. For this reason, reintroducing a well designed and properly managed system of legal community forestry in Papua will go further to bringing sustainable development to Papuans than the large scale plantations boom currently being rolled out.

Small Scale Plantations

Following previous development projects, Papuans have experience in cultivating and profiting from cocoa. Papuans have reported that they find the work suitable to their culture, as opposed to oil palm, with which they are not experienced. Indeed, in several cases Papuans have sought to plant smaller cocoa plantations on land subsequently signed away for oil palm by the government.

Other community level activities, such as pearl farming, fish farming, and eco-tourism have also been put forward as suitable development avenues for Papua and Papuans. However, until now such initiatives have been sidelined in favour of industrial level resource exploitation. Tourists are not encouraged to visit Papua.

REDD schemes

Efforts to curb deforestation have shifted towards a mechanism to reduce emissions from deforestation and forest degradation (REDD). While the regulatory framework for such schemes in not yet finalised, REDD offers a compelling alternative to the planned deforestation in Papua, and one which could benefit local communities. It is vital that REDD schemes are based on traditional land rights, prior consent of communities, and an equitable share of revenue.

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ABOVE:
Without remedial action, millions of hectares of Papua's frontier forests will be converted to plantations over the next decade, as above in Sorong.

Papua is experiencing a land grab of epic proportions. At least five million hectares of land, much of it forested, is being targeted by powerful conglomerates backed by shadowy overseas investors, often registered in secretive offshore tax havens. The plantations boom is backed by all levels of government in the name of development for the people of Papua and tackling climate change through use of biofuels.

Investigations carried out by EIA/Telapak reveal that the plantations are manifestly failing to provide the promised benefits for local communities. Instead the roll-out of plantations is creating a legacy of conflicts, both within affected communities and with the plantation companies, rampant exploitation and bitterness. The true beneficiaries reside far from Papua; in the glittering high rise tower blocks in Jakarta and the boardrooms of Hong Kong and other financial centres.

The planned destruction of millions of hectares of Papua's forests has dire implications for efforts to tackle climate change. Any potential benefits from increased cultivation of biofuel feedstocks are dwarfed by the greenhouse gas emissions created from replacing dense forest with monoculture crops such as oil palm.

THE GOVERNMENT OF INDONESIA SHOULD:

- Halt the award of further plantation licences in Papua until a transparent and extensive multi-stakeholder review of the sector's impacts has taken place
- Publish information on all plantation licences issued in Papua
- Ensure full implementation of *special autonomy* regulations that clarify and formalise land and resource tenure
- Establish just and legally binding codes of conduct and compensation for plantation companies negotiating land agreements with local communities
- Empower the Anti-Corruption Commission to conduct investigations into suspicious plantation licence awards, especially in Merauke and Sorong
- Investigate cases where plantation operations have commenced prior to necessary permits being obtained
- Promote the spread of community-based forest management in Papua
- Focus development programs on better educating, empowering and harnessing Papua's human resources, before exploiting its natural resources

THE INTERNATIONAL COMMUNITY SHOULD:

- Ensure international treaties provide no incentives to convert forests to biofuels or other plantations, and that REDD schemes guarantee the rights of indigenous people
- Ensure Papua is prioritised in development assistance to address poverty, secure sustainable rural livelihoods, and reduce carbon emissions from deforestation in Indonesia
- Assess the role played by global demand for agricultural commodities and biofuels such as palm oil in driving deforestation and develop binding sustainability standards for such commodities

COMPANIES SHOULD:

- Avoid buying palm oil or other agricultural commodities from companies operating in Papua until a comprehensive transparent review of their social and environmental impacts has been undertaken and mitigation measures implemented

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