

The Kalimantan Border Oil Palm Mega-project



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**Milieudefensie – Friends of the Earth Netherlands and the
Swedish Society for Nature Conservation (SSNC)**

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AIDEnvironment

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Summary

A few years ago, the Indonesian government and sections of the palm oil industry united in the Indonesian Palm Oil Commission (IPOC) to undertake efforts to restore the atrocious public image that the palm oil industry had earned abroad for its role in the demise of Indonesia's tropical rainforests, the massive forest fires and haze in 1997-1998, and for the widespread conflicts between plantation companies and local communities.

The border oil palm mega-project

If IPOC succeeded in restoring the palm oil industry's image abroad, it was shattered again after June 2005 when the Indonesian Minister of Agriculture revealed details of a government plan to develop the world's largest oil palm plantation in a 5-10 kilometer band along the border of Kalimantan and Malaysia. To finance the US\$ 567 million plantation project, the Indonesian President and Chamber of Commerce and Industry (KADIN) had already met up with the Chinese government and private sector several times, resulting in Memoranda of Understanding between (among other) the Artha Graha and Sinar Mas groups from Indonesia and the Chinese CITIC group and Chinese Development Bank (CDB).

The oil palm mega-project, launched in Indonesia under the banner of "*bringing prosperity, security and environmental protection to the Kalimantan border area*", turned sour when a business plan developed by the Indonesian State Plantation Corporation (PTPN) began to circulate. This document contained a map that showed beyond doubt how the 1.8 million hectare oil palm project would trash the primary forests of three National Parks, cut through rugged slopes and mountains utterly unsuitable for oil palm cultivation and annihilate the customary rights land of the indigenous Dayak communities in the border area.

Recent changes in government stance

Subsequent campaigns and lobby by civil society, Indonesian media and foreign diplomats forced the Indonesian government to revise its position on the mega-project. The main outcomes are:

- 1 Indonesia's President, Susilo Bambang Yudihono, continues to support the overall border development programme in Kalimantan, but acknowledged there are conservation concerns to be taken into account;
- 2 The Minister of Forestry has stated his Ministry will not release protected forests in the border area for conversion into oil palm;
- 3 The Minister of Agriculture acknowledged that the lion share (>90%) of the immediate border area is indeed unsuitable for oil palm plantations;
- 4 Both Ministers stated that the government should prioritize plantation development in abandoned areas;
- 5 Late March, the Indonesian government declared its support to the Heart of Borneo Initiative, an effort led by WWF aiming to preserve the biological diversity and wildlife species in the border area of Kalimantan, Sabah, Sarawak and Brunei.

If the consequences of these commitments are taken, then this can only lead to the conclusion that the original plan developed by PTPN is off the table.

Remaining concerns over palm oil and the border area

While the national government's commitments are good news for nature conservation and the overall reputation of the Indonesian palm oil industry, civil society organizations and local communities in Indonesia remain concerned over the fate of the forests and local communities in Kalimantan.

1. No public presidential statement on the border project

President Yudhoyono has yet to make a formal and public statement to assure the public that the border oil palm project, as proposed by PTPN, is now cancelled.

2. Oil palm expansion continues

Essentially, palm oil companies have already moved into the border area in many places, and plans to continue the expansion into the Kalimantan border area are still very much alive. In the coming 5 years, the government intends to develop 3 million hectares of new oil palm plantations, of which 2 million hectares along the Kalimantan – Malaysia border and 1 million hectares elsewhere, to meet the domestic and global demand for bio-fuel. The planners of the National Development Planning Agency (Bappenas) found a solution to the problem that the new expansion plans cannot be accommodated within the immediate border area, where the total area suitable for oil palm cultivation is negligible: they simply changed the definition of what comprises the border zone by extending its width from 5-10 km to 100 km. Within the extended zone, still heavily forested and inhabited by indigenous communities, Bappenas calculated, over 3 million hectares would be 'suitable' for oil palm cultivation. Just like all other government assessments, the Bappenas suitability assessment, however, did not take into account social criteria.

3. Rights and needs of local communities ignored

Within the immediate and extended border area, few indigenous communities are aware of the government's development plans. Statements issued by local communities and their village leaders indicate that of those who are familiar with the plans strongly, and univocally, oppose oil palm development in their areas.

Of particular concern to the customary rights land is Presidential Regulation (Pepres Nr. 36/2005), which allows the government to force the release of land in view of the "public interest". Since the border project is justified by reasons of the public interest (security, prosperity and environmental protection) and involves the Indonesian Armed Forces, the government may opt to use this regulation to force oil palm plantations in the border area.

Plans of Ministry of Forestry and Ministry of Agriculture to promote cash crops, other than palm oil (such as rubber, coffee, tea, cacao, pepper etc) in the border area could deliver benefits but these plans will encounter resistance from local communities if the government intends to bring in large investors from outside to plant these crops on customary rights land.

4. Abandoned lands may not be out there for grabs

Of the 2.5 million hectares of land already allocated to oil palm companies in the border provinces East and West Kalimantan, only 685,000 ha (20%) has been planted up to 2005. The government would now prioritize development in so-called 'abandoned' areas. Reallocating these lands without prosecuting the initial permit holders who neglected the obligations under the terms and conditions of their concessions would provide a perverse incentive to timber theft and speculation. Furthermore, there may well be that the abandoned lands are agronomically

unsuitable for oil palm cultivation and that there are valid land claims and conservation values on these lands that need to be respected.

5. Local governments may ignore national level policies

The national government commitments to better practice have little value if they are not respected at the local level. For example, the central government's commitment to the Consultative Group on Indonesia (CGI) made in May 2000 to implement a moratorium on any further forest conversion for plantation development has been widely ignored by provincial and district level governments.

6. Road construction: a new threat to forests

The planned upgrading and construction of over 5,000 km of roads across Kalimantan may bring about a new wave of illegal logging, mining and forest conversion in relatively intact areas. Especially the Northern Link is likely to trigger more illegal logging in the Betung Karihun and Kayan Mentarang National Parks.

7. Indonesian palm oil is not yet sustainable

Not a single palm oil company in Indonesia is able to provide independently verified evidence that its palm oil is produced according to internationally agreed environmental and social standards.

Recommendations

The adoption of the following recommendations by the Indonesian government at the national and local level, as well as by the palm oil industry would significantly help to prevent further deforestation, environmental damages and social conflicts and, thereby, help to restore the damaged image of the sector abroad:

1. Presidential public statement needed

For the sake of informing the general public abroad and in Indonesia, the communities in Kalimantan, and to provide guidance to all government bodies, President Yudhoyono should make a formal and public statement to assure the public that the border oil palm project, as proposed by PTPN, is now cancelled.

2. Increase productivity in existing plantations

Instead of pushing for more oil palm expansion, the government should focus on its target to double the palm oil yield in existing plantations through improved (non-genetically modified) seeds, improved plantation management and oil extraction rates. If this target is realized, no further expansion of plantations would be necessary. Specifically, the government should assist smallholders by providing them with better planting materials (seeds). Furthermore, instead of focusing on expansion, the Indonesian government should focus its resources on assisting smallholders to replant 400,000 hectares over over-aged plantations.

3. Bottom up planning

Land suitability assessments and spatial planning should take into account and respect the rights and needs of the local communities in the border area. No oil palm should be allowed in areas where communities oppose such development. Presidential Regulation No.36/2005 should not be used to force any oil palm development projects.

4. Prosecute misuse of oil palm licenses in abandoned lands

The Indonesian government should investigate why oil palm concessions are abandoned and prosecute the permit holders in case of evident misuse of permit rights based on Forestry Act No.41 and Government Directive 40/1996 on land use

rights. Before re-allocating any abandoned lands to oil palm companies, any remaining conservation values and community claims on the land identified through independent surveys should be respected.

5. Assist local communities to improve market access for cash crops

The government should take into account that local communities in the border area already sustainably produce a variety of non-timber forest products and agroforestry products (such as natural rubber, rattan, ilipe nut oil, cassava, vegetables). The government should assist these local communities in accessing markets for their cash crops from the forest and agroforestry gardens, rather than to bring in companies that take over the production of these crops.

6. Mitigate the environmental risks of road construction

Road improvement and construction should be planned carefully; taking into account the risk that improved infrastructure may trigger deforestation and social conflicts.

7. Ask for palm oil from sustainable sources only

Foreign palm oil buyers and investors, notably from Europe, North America, Malaysia and China should insist on palm oil production that meets the Principles and Criteria of the Roundtable for Sustainable Palm Oil (RSPO) as a minimum.

Foreign governments in Europe, North America, Malaysia and China should continue their dialogue with Indonesia so to get final clarity about the border oil palm mega-project, and prepare legislation that will promote trade and investment only in sustainable palm oil and exclude palm oil from non-sustainable sources from the market place.

Acronyms

ABRI	Angkatan Bersenjata Republik Indonesia, the armed forces, nowadays know as TNI or Tentara Nasional Indonesia
BAPPENAS	Badan Perencanaan Pembangunan Nasional, National Development Planning Agency
BKTRN	Badan Koordinasi Tata Ruang Nasional, national coordination body for spatial planning
BP3WPK	Badan Pengendali Pelaksanaan Pembangunan Wilayah Perbatasan di Kalimantan, Agency for the Implementation and Control of Development in the Border Area
BUMN	Badan Usaha Milik Negera, the Ministry for state-owned companies
CBD	Convention on Biological Diversity
CIFOR	Centre for International Forestry Research
Depdagri	Departemen Dalam Negeri, Department of Interior
Deperindag	Departemen Perindustrian dan Perdagangan, Departement of Industry and Trade
Deptan	Departemen Pertanian, Minister of Agriculture
FFB	Fresh Fruit Bunches
GBC	Indonesia – Malaysia General Border Committee
HCVF	High Conservation Value Forest
HOB	Heart of Borneo
HP	Hutan Produksi; production forest
INKOPAD	Induk Koperasi Angkatan Darat, the military association
IPB	Institut Pertanian Bogor
IPOC	Indonesian Palm Oil Commission, also Komisi Minyak Sawit Indonesia (KMSI)
IOPRI	Indonesian Oil Palm Research Institute
JIMBC	Joint Indonesia – Malaysia Boundary Committee
KADIN	Ketua Umum Kamar Dagang dan Industri, Indonesian Chamber of Commerce and Industry
Keppres	Keputusan President, Presidential Decree
Menneg Per- cepatan KTI	Menteri Negara Percepatan Kembangan Kawasan Timor Indonesia, the Ministry for the Speeding up of Development in Eastern Indonesia
KMSI	Komisi Minyak Sawit Indonesia, also Indonesian Palm Oil Commission (IPOC)
KPK	Komisi Perbatasan Korupsi, Anti Corruption Commission
L3P	Lembaga Pemerhati dan Pemberdayaan Dayak Punan Malinau Kalimantan – Sarawak - Sabah
KASABA	Menteri Negara Koordinator Ekonomi, Keuangan dan Industry, State
MenkoEkuin	Coordinator Minister of Economy, Finance and Industry
MenHut	Menteri KeHutanan, Ministry of Forestry
MenLH	Menteri Lingkungan Hidup, Ministry of Environment
MJM	PT. Malindo Jaya Makmur
MoU	Memorandum of Understanding
NJL	PT. Nunukan Jaya Lestari
NPWP	Nomor Pokok Wajib Pajak, Company Taxpayer Statement
Perpres	Peraturan President, presidential directive
PP	Peraturan Pemerintah, Government directive
PPKS	Pusat Penelitian Kelapa Sawit, Indonesian Palm Oil Research Institute
PTPP	PT Perum Perhutani, State Forestry Corporation
PTPN	Perkebunan Nusantara, State Plantation Corporation
PU	Perkejaan Umum, Departement of Public Works
RSPO	Round Table on Sustainable Palm Oil
RUU Perbatasan	Rancangan Undang-Undang Perbatasan; Draft of Border Act
SBY	President Susilo Bambang Yudhoyono
SFI	Sabah Forest Industries

SK	Surat Keputusan, decision letter
TKI	Tenaga Kerja Indonesia, Indonesian foreign workers
TNI	Tentara Nasional Indonesia, armed forces
Yamaker	PT Yajasan Madju Kerdja
YKEP	Yayasan Kartika Eka Paksi, Army Retirement Welfare Fund
WWF	World Wildlife Fund for Nature
WALHI	Wahana Lingkungan Hidup Indonesia, the Indonesian Forum for Environment, Friends of the Earth Indonesia

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Picture on front page: WALHI Demonstration outside the Ministry of Economy, Finance and Industry (“Forests Not for Oil Palm; Stop the 1.8 Million Hectare Oil Palm Project”), 5 December 2005.

Contents

1. Introduction	1
2. Origin and description of the palm oil mega-project	3
2.1 Historic developments in brief	3
2.2 Defining the border area	4
2.3 Motivations behind the border mega-palm oil project	6
2.4 Seeking and gaining momentum: China	7
2.5 The PTPN proposal.....	8
2.6 Sinar Mas	9
2.7 Artha Graha Group and the Sampoerna family	10
3 Potential impacts and land suitability.....	11
3.1 Impacts on communities and livelihoods.....	11
3.2 Impacts on the forests.....	16
3.3 Impacts on water supply	20
3.4 Land suitability.....	21
4 Recent developments.....	27
4.1 Adjusted policy commitments.....	27
4.2 More, not less, oil palm expansion.....	28
4.3 What about abandoned land?	31
4.4 Sustainable palm oil	33
5. Beyond palm oil.....	35
5.1 The Kalimantan Spatial Plan.....	35
5.2 Railroads	37
5.3 Roads	37
5.4 Non-palm oil crop development in the border area.....	39
Appendix 1: Key government actors and their positions.....	41
Appendix 2: Plantation companies in the border area	43
Endnotes and references.....	46

List of Figures

Figure 1. Section of a West Kalimantan plantations concession map.....	5
Figure 2. Map of the districts within the 100 km border zone.	6
Figure 3. The PTPN proposed oil palm plantations along the Kalimantan – Malaysia border.....	9
Figure 4. Forest cover in Borneo.	16
Figure 5. Satellite picture of the Kalimantan – Malaysia border area.....	17
Figure 6. Satellite image of the northern part of East Kalimantan.	18
Figure 7. Satellite picture of Sambas district, West Kalimantan.....	18
Figure 8. Watersheds in Borneo.	21
Figure 9. The SarVision map of oil palm suitability in Kalimantan.	22
Figure 10. Land suitability for oil palm according to Bappenas.	24
Figure 11. Land use in Northern Sintang, Southeast of Jasa (see also Figure 13).....	25
Figure 12. Priority oil palm development areas.	29
Figure 13. Example of oil palm concessions in the border area: Sintang District, West Kalimantan.....	30
Figure 14. Kalimantan land use plan 2023.....	35
Figure 15. Strategic development centres in the border area (marked red).....	36
Figure 16. The proposed road infrastructure development in Borneo.....	38

List of Tables

Table 1. Oil palm companies in the former Yamaker concessions in West Kalimantan.	3
Table 2. The size of the Kalimantan – Malaysia border zones.....	5
Table 3. Forests protected by local communities in the border areas of West Kalimantan.	12
Table 4. Forest cover in the forestlands of the border area.....	20
Table 5. Land suitability assessment in the immediate border zone, according to Bappenas.....	23
Table 6. Status of oil palm plantations issued in several districts in Kalimantan.	31
Table 7. Priority development areas and sectors in the border area.	36

List of Boxes

Box 1. Biofuel: a driver behind the Palm Oil Mega Project.....	7
Box 2. Indonesian Palm Oil Commission (IPOC).....	10
Box 3. Community statements: NO OIL PALM!.....	13
Box 4. Greenomics: total timber value in border area US\$ 26 billion.....	19
Box 5. Regional council representatives: “Stop the border oil palm project”.....	21
Box 6. Across the border: Malaysia.....	29
Box 7. Position statement Walhi KalTim.....	33
Box 8. Position statement Walhi KalBar, the Forum of Concerned Communities in West Kalimantan and the National Network to Save the Heart of Borneo:.....	33
Box 9. Funding road construction with oil palm.....	39

1. Introduction

To the Indonesian government, the oil palm is the *green dollar tree*. The oil palm is these grown in 17 Indonesian provinces, directly employing some 2 million workers and farmers. In 2004, the total planted oil palm area amounted to 5.3 million hectares, yielding 11.4 million tons of Crude Palm Oil (CPO), a record export value of US\$ 4.43 billion, and US\$ 42.3 million in government revenue. In the next few years, all figures are set to break more records, leading analysts to forecast that Indonesia will beat Malaysia as the number one palm oil producer in the world.¹

True, the economic contributions of the oil palm are respectable, but its expansion has also gone out of control, to great cost to Indonesia's environment, biodiversity and indigenous communities. Millions of hectares of tropical forests have been cleared to make way for oil palm plantations. Orang-utans, tigers, rhinos elephants and other endangered species are pushed to the brink of extinction while their habitat is cleared away. Heavy agrochemical inputs and CPO production are polluting rivers and streams. Deforestation and burning for land clearing releases massive amounts of carbon dioxide into the atmosphere, aggravating global warming. Burning for land clearance in Indonesia each year causes a transboundary haze affecting the health of millions of people in Indonesia, Singapore, Malaysia and Brunei. To Indonesia's indigenous peoples, oil palm means the final dispossession of their customary rights land and with this loss their unique culture and indigenous knowledge is set to fade away in the annals of history. Those who continue to resist this kind of development, are labelled 'anti-development', those who surrender their land often end up in years of struggle with plantation companies over unfulfilled promises of a better life.²

These losses are even more painful in view of the fact that plantation companies can hardly keep up with the pace in which the Indonesian government issued permits for oil palm development. Of the 9.13 million hectares of land already set aside for oil palm development in the mid-1990s, at present only 58% is planted.³

However, owing to the recent mineral oil price hikes, a massive boost in the global demand for biofuel is expected (see Box 1). Since palm oil is one of the cheapest biofuels around and considering the continued global growth in consumption of edible oils, the Indonesian Ministry of Agriculture now assesses that the global demand for vegetable oils and *bio-diesel* is "*unlimited*". Attuning its targets to these developments, Indonesia now strives to realise a total production of 23 million tons of palm oil in 2025, double the volume produced in 2004.⁴

To achieve this production, there are two options. One option is to increase yields of existing plantations. The quality approach needs to focus on better seeds (especially for smallholders), better plantation management and higher oil extraction rates. The Ministry of Agriculture acknowledges this, and aims to double the currently sub-optimal average yield of 10 tons of Fresh Fruit Bunches (FFB)/hectare/year to 20 t/ha/yr by 2025. If this goal would be achieved in the next few years, then further expansion of oil palm plantations would not be required. The second option is, of course, to pursue the quantitative approach: more oil palm plantations.

The latter option dominated in the statement of Indonesian Minister for Speeding up Development in Eastern Indonesia, Manuel Kasiepo, in April 2004, when he announced for the first time the plans of the Indonesian government to develop 2 million hectares of oil palm plantations in the Kalimantan – Sarawak – Sabah (KASABA) border area. Investors for the project would be attracted from India,

Malaysia and China.⁵ At the time, Minister Kasiepo's announcement did not receive a great deal of attention in Indonesia, considering it was election time, former President Megawati was unlikely to be re-elected and perhaps because Indonesians had heard it all before.

However, when more details were revealed to the Jakarta Post in June 2005 by Minister of Agriculture Anton Apriantono, he did attract the interest from NGOs, industry and foreign governments alike when the newspaper published an article titled: **"Government Plans World's Largest Oil Palm Plantations"**.⁶ In the article, Minister of Agriculture Apriantono outlined the following core elements of the oil palm development plan along the Kalimantan – Sarawak – Sabah border:

- The project aims to promote border security, to fill the gap in prosperity between Kalimantan and Malaysian Borneo, to address illegal logging along the border, to create employment for Javanese and to produce biofuel for domestic consumption or export;
- An investment of 5.5 trillion rupiah (US\$ 567 million) would be required for the plantations and supporting industry;
- The oil palm plantation would produce 2.7 million Fresh Fruit Bunches (FFB) annually from 2010 onwards;
- 50,000 jobs would be created;
- Apart from oil palm, rubber plantations would be developed to produce 135,000 tons of dried rubber annually;
- The project would initially focus on Sambas, Sintang, Bengkayang, Sanggau and Kapuas districts in West Kalimantan.

Soon after the release of the Jakarta Post article, it became clear that a serious lobby by several government departments and plantation companies was ongoing in an effort to push the plan into the realization stage. Media reported that the project would commence in 2006.

Since the publication of the Jakarta Post article, Indonesian NGOs such as Walhi, Sawit Watch, WWF Indonesia and Greenomics have worked hard to gather further information on the status of the border project and the lobby the relevant authorities to stop the envisaged expansion plan.

This report describes what has come of the Kalimantan border oil palm mega-plan since it was announced, who is involved and what research, lobby and campaigning has led to so far. In particular, this study aims to inform civil society organizations, palm oil buyers, investors and government bodies outside Indonesia about the undiminished threats to the tropical rainforests and indigenous peoples related to Indonesia's oil palm expansion plans and the government's overall development agenda for Kalimantan.

1. Origin and description of the palm oil mega-project

1.1 Historic developments in brief

The Kalimantan border area has received special attention from the government since the country declared its Independence in 1945. Because of its strategic position, the immediate border area was put under direct military control after the resolution of the Indonesian *Konfrontasi* with Malaysia in 1963-1966. President Suharto allocated an area of 834.000 ha in West Kalimantan and 265,000 ha in East Kalimantan to a foundation established by the Indonesian armed forces, Yajasan Madju Kerdja (Yamaker). The Yamaker foundation was set up to both generate income for the armed forces (ABRI at the time, nowadays Tentara Nasional Indonesia, TNI) who secured the border area. The primary economic activity was logging.⁷ The Yamaker concession rights were extinguished by former President Habibie in May 1999, who transferred the concession areas to the State Forestry Corporation, PT Perum Perhutani (PTPP).⁸

In 2000, the Nunukan district government in East Kalimantan considered PTPP incapable of instating management in the ex-Yamaker areas (i.e. to generate income for the local government) and allocated parts of the concession area to a Malaysian-Indonesian joint venture for oil palm conversion. The companies involved the joint venture were Omega Beta Technologies Sdn. Bhd. from Malaysia, the locally owned concession holder PT Agrosilva Beta Katika, and the military association INKOPAD (the Association of Army Cooperatives). According to a study for the Department of Internal Affairs, the joint venture was involved in large-scale illegal logging and log transports to Tawau, in Sabah.⁹ In West Kalimantan the former Yamaker logging concessions were also divided for conversion into oil palm plantations (see Table 1).

Table 1. Oil palm companies in the former Yamaker concessions in West Kalimantan.

Company	Decision letter and decision letter (SK) nr.	Area (ha)
PT. Yamaker Sawit Sari	Persetujuan pencadangan Menhut No. 281/Menhut-II/98 tanggal 26-2-1998	± 13.000
PT. Satriindo Jaya Agro Palma (d/h Yamaker Satriindo Jaya)	SK Pelepasan Menhut No. 174/Kpts-II/2000 tanggal 29-6-2000	17.464
PT. Usaha Malindo Jaya (d/h Yamaker Malindo Jaya), under the Sinar Mas Group. ¹⁰	SK Pelepasan Menhut No. 175/Kpts-II/2000 tanggal 29-6-2000	18.132

Source: Badan Planologi Kehutanan 2003.

Note: PT Usaha Malindo Jaya was allegedly allocated (another) 100.000 hectares in Ketungan Hulu, which is also along the border area.¹¹

In the next few years, the central government increased its efforts to regain control over the border area through a series of statements and policies:

- In April 2001, President Megawati issued a Presidential Decree which announced that a special council would be instated to develop each part of Indonesia, especially in the border areas of East and West Kalimantan.¹² The council would later evolve in a new Ministry named "*Menteri Negara Percepatan Kembangan Kawasan Timor Indonesia*" (KTI), the Ministry for the

Speeding up of Development in Eastern Indonesia, presently under Minister Manual Kasiepo.

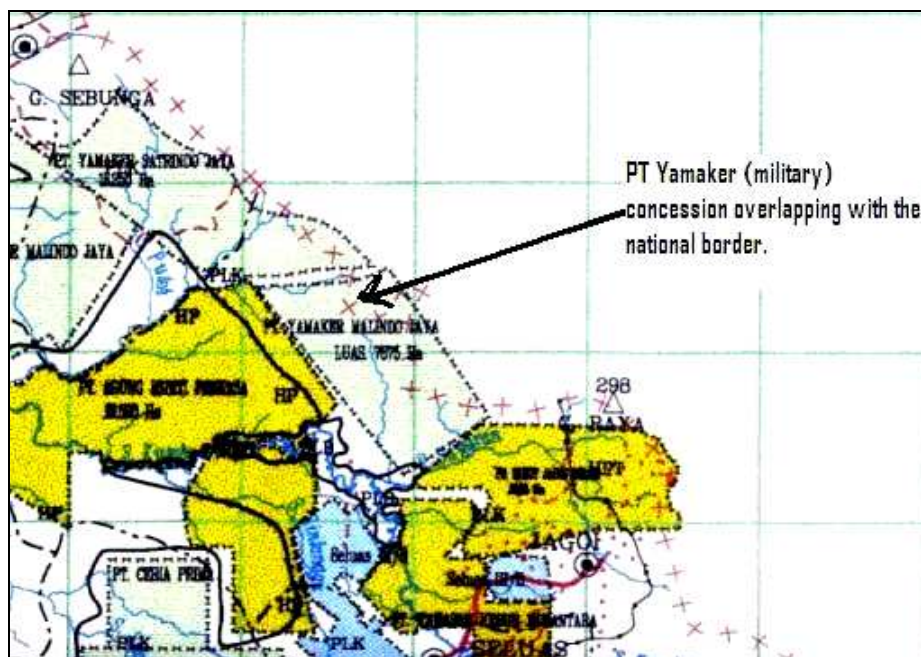
- During a Cabinet meeting in August 2002, it was clarified that the border area needs to be developed as it represents the country's "front porch to the outside world" (*Beranda Depan*);
- In September 2003, the National Coordination Agency for Spatial Planning (*Badan Koordinasi Tata Ruang Nasional*, BKTRN) released a first draft Spatial Plan for Kalimantan. Several drafts have been prepared since, and these contain the following elements:
 - o The development of 5 economic growth in 5 centres in West Kalimantan and 5 in East Kalimantan;
 - o Improvement of the investment climate;
 - o International and regional infrastructure development, including an extensive new road and railway system across Kalimantan;
 - o Simplification of the land allocation and permit system;
 - o Improve the security infrastructure in the border area.
- In May 2004, the Minister for the Speeding up of Development in Eastern Indonesia, Manual Kasiepo, announced that 2 million hectares of oil palm would be planted in Kalimantan;¹³
- On 3 June 2004, the governors of the four Kalimantan provinces signed a Memorandum of Agreement in which they requested the central government to adopt and to support the implementation of the spatial plan for Kalimantan. This initiative was undertaken by the governors of East and West Kalimantan, H. Suwarna A. Fattah and H. Gusman Ja'far, probably because only limited development in the border area is possible unless the Ministry of Forestry in Jakarta releases forestlands for conversion into non-forestry purposes;
- In 2004, the Ministry of Forestry released a strategic plan for forestry development in the border area;¹⁴
- In 2005, the government released a presidential regulation (Perpres Nr. 36/2005), which allows the government to force the release of land in view of the public interest;¹
- In June 2005, Minister Anton Apriantono releases the first details of the oil palm project along the Kalimantan border;
- In July 2005, the state-owned plantation company PTPN produces a map, showing that plantations are to be developed all along the Kalimantan border.

2.2 Defining the border area

The Kalimantan – Sarawak – Sabah border stretches for some 1,840 kilometres, of which 805 km are located in East Kalimantan and 1,035 km in West Kalimantan. The border was last demarcated during colonial times. At present there are 50 guarded check points and 700 markers. Elsewhere, border markers are said to have disappeared at least in some places. Although there have been no violent military conflicts, several points along the border area are subject to some disputes, as noted by the bilateral Indonesia – Malaysia General Border Committee (GBC) and the Joint Indonesia – Malaysia Boundary Committee (JIMBC) and as illustrated by a small section of a West Kalimantan concession map (Figure 1):

¹ This regulation is at present challenged by the NGO Coalition, Posko Tolak Perpres No. 39/2005" in the Constitutional Court. Members of the coalition include Walhi, PBHI, Pokya, PSDA, API, AGRA, SPP, KPA and Sawit Watch.

Figure 1. Section of a West Kalimantan plantations concession map.



Note: this section shows how the national border (cross) appears to overlap with the PT Yamaker Malindo Jaya logging concession.

The origin of the 2 million hectares for oil palm along the border that Minister Kasiepo referred to in the newspaper Kompas in April 2004 was based on a rough calculation: the Kalimantan border along Sarawak and Sabah is about 2,000 kilometres, and 10 kilometres wide. As such, the border area comprises a total of 2 million hectares.

But what exactly comprises the border zone is subject to discussion in Indonesia. Up to now, different government departments have used different definitions of the border zone. In a study for the Ministry of Agriculture, the Indonesian Palm Oil Research Institute (IOPRI) used a 5 kilometre zone for a land suitability assessment. The military zone is believed to extend to 10 km, whereas the Ministry of Forestry has been working with areas from 20 up to 100 km (see also Table 2 and Figure 3).

Table 2. The size of the Kalimantan – Malaysia border zones

	<i>East Kalimantan</i>	<i>West Kalimantan</i>	<i>Total</i>
<i>km</i>		<i>Hectares</i>	
10	805,000	1,035,000	1,840,000
20	1,610,000	2,070,000	3,680,000
50	4,025,000	5,175,000	9,200,000
75	6,037,500	7,762,500	13,800,000
100	8,050,000	10,350,000	18,400,000

The National Development Planning Agency (Bappenas) has been using the 100 km range, which covers 12 districts (see Map 2).

Figure 2. Map of the districts within the 100 km border zone.



Source: map compiled by Sawit Watch

It is expected that the Border Act (RUU Perbatasan), which is currently under discussion in the Indonesian Parliament, will settle the size of the border zone and determine the government levels and departments responsible for the management of the border areas.¹⁵

2.3 Motivations behind the border mega-palm oil project

Governmental documents and the press have put forward a number of specific reasons as to why the Kalimantan border area needs development in general. After a trip to Kalimantan in August 2005, President Yudhoyono stated:

“Our plan is to develop the areas alongside the border for palm oil plantations, industrial forestry and tourism centres. If we can develop this from the West towards the East, security and stability will be better. The palm oil and agricultural cultivation will raise incomes, absorb the workforce and increase regional taxes. Meanwhile, we will be able to keep on nurturing the sense of nationhood and being Indonesian.”¹⁶

Furthermore, according to other governmental documents, the border project would counter:

- Poverty: the communities in the border area are lagging behind in terms of socio-economic development, infrastructure, education and health care;
- Border conflicts: the border is mobile as border markers have broken, or are otherwise no longer visible, leading to border disputes. The border has allegedly been moved back into Kalimantan in several areas with some 600-1000 meters;
- Inaccessibility: the regional military commanders argue that the border area is easier to manage and control if there are oil palm plantations instead of forest;
- Environmental degradation, illegal logging and trade;
- Smuggling of clothes, sugar and oil palm seeds;
- Illegal worker migration.

The above motivations reflect some of the very real problems in the Kalimantan border area but to NGOs in Indonesia, it is highly questionable that large-scale oil palm development would adequately address the concerns. NGOs therefore suspect that the project is pushed for a number of hidden motivations as well:

- Income for the military: as mentioned above, the military association INKOPAD is a shareholder in an oil palm company in a former Yamaker concession. Even though President Yudhoyono's policy is to reduce the military's involvement in such economic activities, TNI's support to the mega-project is most likely driven by attempts to regain income and control over resource exploitation in the border area.¹⁷
- Support from the military: despite his military background, the President is not firmly rooted in the Army. It may be that the President hopes to gain support from TNI by allowing the project to take shape;
- Log supply: the border area still has extensive primary forest areas, whereas wood processing industries in Indonesia and Malaysia struggle to meet their log demand;
- Funds for elections: political parties hope to gain access to funds for the 2009 elections and support from voters as the transmigrants who are envisaged to be relocated are former military and police personnel;
- Compensation: the oil palm project, which would deliver income in US dollars, is a compensation for Chinese investors who committed to invest in a range of projects (such as toll roads) that would income in local currency (see also paragraph 2.3). Local currency earnings pose a significant investment risk to the Chinese investors. To compensate for this risk, Chinese companies would be given shares in the US\$-earning palm oil business.¹⁸
- Lack of environmental awareness: some suspect that the China Development Bank involvement is not saddled with the "green" regulations like its European and American counterparts.

Box 1. Biofuel: a driver behind the Palm Oil Mega Project

In November 2005, State Minister of Research and Technology Kusmayanto Kadiman announced that by 2010 the use of both bio-diesel and bio-ethanol in Indonesia must have reached 2% of total national fuel consumption. Earlier in 2005, Minister of Agriculture Anton Apriantono had already announced that the government would make a government subsidy available for the development of the biofuel market.¹⁹

In January 2006, Minister Apriantono was quoted by Reuters as saying that Indonesia would develop 3 million hectares of new oil palm plantations in the next five years to meet increasing demand for biofuel as an alternative source of energy. Of these, 2 million hectares would be developed along the Kalimantan – Malaysia border,²⁰

This means that Indonesia would primarily the palm oil from the border area as biofuel, since it is estimated that the substitution of 2% mineral diesel consumption in Indonesia would require the development of 'only' 200,000 ha of new oil palm plantations.²¹

In the Jakarta Post article of June 2005, Minister Apriantono also mentioned that the border oil palm project was aimed to produce biofuel for domestic consumption and export.²²

2.4 Seeking and gaining momentum: China

Realistically speaking, neither the Indonesian government, nor the private sector would engage in the investment of the Kalimantan border area beyond basic resource extraction unless substantial foreign funding would be available.

A powerful momentum for the border area project was therefore gained in 2005, when Indonesian officials and companies were able to gain commitments from the Chinese government to invest in Indonesia:

- In April 2005, a high level meeting was held between President Susilo Bambang Yudhoyono from Indonesia and President Hi Jintau from China. This meeting resulted in a Memorandum of Understanding, signed April 25, 2005, stating that both countries will collaborate strategically in the areas of defense, economic development and culture;
- In June 2005, the Presidential meeting was followed up by a visit to China by an Indonesian trade delegation led by the Indonesian Chamber of Commerce and Industry (KADIN). This visit resulted in an agreement in which China would provide investments in seven different sectors and projects (notably energy and infrastructure) with a total value of US\$ 7.5 billion. The China Development Bank would provide capital to Chinese companies to facilitate their investments in Indonesia, notably in oil palm;²³
- During another trip, on July 29, 2005, President Susilo Bambang Yudhoyono signed a MoU in China for the development of a number of infrastructure projects in Indonesia. Prior to the mission, the head of KADIN M.S. Hidayat said *that land preparations for oil palm plantations will commence so that there is 2 million hectares of land available for national companies and Chinese businessmen. The location would be in the border area of Indonesia and Malaysia. Indonesian media reported that KADIN would select 40 to 50 Indonesian companies to own and manage the new oil palm plantations.*²⁴

2.5 The PTPN proposal

Obviously, the governmental and business agreements closed in China attracted ample media attention in Indonesia. However, it remained vague where the new plantations were going to be established. This became overly clear in June 2005, when a basic investment proposal, prepared by the State Plantation Corporation PT Perkenunan Nusantara (PTPN) began to circulate.²⁵

The proposal confirmed that the Ministry of Agriculture and the Department for State-owned companies (BUMN) were indeed serious about developing oil palm plantations, literally along the border (see Figure 3).

According to the PTPN proposal, the project area would be divided over 18 companies, each with an area of 100,000 ha. The shares of each of these plantation companies would be divided within the companies in the group: Perkebunan Nusantara III and IV would be taking the largest share (20-30% each), Perkebunan Nusantara V would get 10-15%, and Perkebunan Nusantara VII and XIII would get 10% each. The other companies in the Perkebunan Nusantara Group would get 0 to 5%.

The investment needed for the 100,000 ha project is estimated at Rp 4,721 billion (US\$ 480 million). About 22% of this amount would have to be covered by the shares of the Perkebunan Nusantara companies, while bank loans should cover 70% (or about US\$ 325 million) while the remainder would be covered by the state budget for the construction of roads. Based on these figures (which appear to overestimate the average investment cost), the investment required to develop all 18 plantations is estimated at Rp 85,140 billion (US\$ 8.6 billion). The project would employ 398,700 workers and smallholders and generate a state revenue of Rp 645 billion (US\$ 64 million).²⁶

Figure 3. The PTPN proposed oil palm plantations along the Kalimantan – Malaysia border.



Source: PTPN and Google Earth

In the PTPN proposal, all 18 plantations would be developed by the State Plantation Corporation. A different reading of the division of concession rights was given by a Senior Researcher at the Indonesia Research and Strategic Analysis, Faisal Basri. According to him, the 1.8 million ha would be divided as follows: 600,000 ha would be allocated to Chinese investors while the remaining 1.2 million ha would be given to Indonesian companies.

2.6 Sinar Mas

In April 2005, the Indonesian Sinar Mas group was reported by Indonesian media to have agreed to invest US\$ 500 million in the border oil palm project. The group would develop the project in partnership with the CITIC Group from China with whom Sinar Mas signed a contract during the visit of the Indonesian vice-president Jusuf Kalla to Beijing in August 2005.²⁷

Under the cooperation, CITIC will be responsible as a contractor to build roads, bridges, irrigation, a crude palm oil (CPO) processing plant, warehousing and transportation facilities, housing and other necessary facilities. It will also procure processing machinery. The construction will take four years.²⁸ Indonesian media furthermore reported that Sinar Mas group would be allocated a vast area in the project (500,000 ha) because the company had assisted the Indonesian government in bringing the Chinese investors to Indonesia.²⁹ A company manager confirmed that when President Susilo Bambang Yudhoyono visited Kalimantan, he asked Sinar Mas to join in the development of the border area.³⁰

The Sinar Mas group has a reputation for its aggressive plantation development strategies and already holds the rights to oil palm plantations in the Kalimantan border area. Among these is PT. Usaha Malindo Jaya, a former Yamaker concession (see also Table 1 and Figure 7).³¹ The Sinar Mas group furthermore has extensive interests in the pulp and paper industry through the Asia Pulp & Paper group. In 2005, the group took over the Finnantara Intiga pulpwood plantations in the border area of West Kalimantan.

Box 2. Indonesian Palm Oil Commission (IPOC)

A few years ago, the Indonesian Ministry of Agriculture together with key players in the Indonesian palm oil industry (such as Sinar Mas) set up the Indonesian Palm Oil Commission (IPOC) to improve government – private sector dialogue on plantation issues, and to improve the image of the palm oil industry abroad. Responding to the border oil palm mega-project, Dr. Rosediana Suharto, executive chairperson of IPOC stated in August 2005:

"We only support the establishment of oil palm plantations that are based on sustainable and environmental principles. Since IPOC's task is to promote a positive image of the Indonesian palm oil industry, large scale deforestation is a very sensitive issue. Consumers do not want to be associated with the destruction of rainforests".³²

2.7 Artha Graha Group and the Sampoerna family

The Artha Graha ("House of Money") group was set up by businessman Tomy Winata at the end of the 1970s. Winata was very successful in building relationships with the Indonesian army (TNI). These contacts helped the Artha Graha group to get numerous contracts for the construction of military and government facilities in various parts of Indonesia. Most of the companies in the Artha Graha group are partly owned by the retirement welfare fund of the Indonesian army, Yayasan Kartika Eka Paksi (YKEP).³³

In July 2005, the Indonesian Artha Graha group and the Sampoerna family formed a consortium with Guangdong Foreign Trade Group of Guangzhou (China). In the coming three years the consortium will invest US\$ 3 billion in various Indonesian sectors, including plantations, fishing, handicraft, furniture, mining, oil and gas, finance, and infrastructure.³⁴ During this meeting, the Artha Graha Group signed a MoU with a China private company to build an industrial estate in West Java and to invest in palm oil plantations along the Indonesia and Malaysia border in Kalimantan.³⁵

The former owners of the Sampoerna tobacco company have been planning to diversify into oil palm for some years now. However, in December 2005, Tempo Interaktif reported that Sampoerna requested from the Ministry of Forestry 1 million hectares of land for the development of pulpwood plantations and related industries in East, West and Central Kalimantan.³⁶

3 Potential impacts and land suitability

3.1 Impacts on communities and livelihoods

Due to its isolation, the Kalimantan border area is fairly sparsely populated. The total population in the border area is estimated at some 300,000 inhabitants, mostly from Dayak origin. In West Kalimantan, the population density is 27/km²; in East Kalimantan 13 people per km².³⁷

Subsistence farming is the major source of livelihood of the Dayak in the border area, supplemented with rubber production and trading in rattan, *gaharu* (eaglewood), ilipe nut, honey and numerous other marketable products.³⁸ In Malinau, there are several communities of semi-settled Dayak Punan who still depend on hunting, gathering and trading both on the Kalimantan and Sarawak side of the border.

Road access in the border area is generally poor, reducing market access for communities interested in selling excess produce in the market place. Health and education services are also poor as teachers and doctors are reluctant to work under such remote conditions. Healthcare and education often relies on missionary organisations. Employment opportunities are scarce and youth has a tendency to leave the area to seek employment in the lowland towns.

From a cash income point of view, the border area is amongst the least developed in the whole of Borneo. According to one source, villagers in Kalimantan make US\$ 400 per year, whereas on the Sarawak side, people make as much as US\$ 4,000 per year.² However, on the Kalimantan side, natural resources (forests, waters and streams, soils) are still abundant, owing to the presence of national parks, rugged terrain and community protected forests whereas the forest on the Sarawak side have almost all been logged (see Table 3 and Figure 5).

Local customary traditions and law (*adat*) still play a crucial role in the organization of the Dayak villages, although most communities use these practises parallel to the national law, so to facilitate continuous pressure from the central and local government to adopt “formal” legislation. Customary law determines land ownership and land use within the hundreds of different individual Dayak groups, which is recognized in the 1945 Constitution of Indonesia. More recent national legislation, however, puts the ultimate say of the use of forestlands under the jurisdiction of the Minister of Forestry. The government has thereby felt free to allocate land to logging, mining and plantation companies in customary rights land, understandably to the dissent of the indigenous communities.

While decentralisation laws have also provided an opening for local governments to recognise customary rights land, this is now under threat again by Presidential Regulation (Perpres) Nr. 36/2005. This regulation, allows the government to force the release of land in view of the “public interest”. Since the border oil palm mega-project is justified by with the public interest (*security, prosperity and environmental protection*) and involves the military, the government could use article 5 to force oil palm plantations in the border.³⁹

² Although it is evident that wages in Malaysia exceed those in Indonesia, these figures do not take into account higher cost of living on the Sarawak side, and that most forests on the Sarawak side of the border have been logged, which has brought temporary increase in income.

Table 3. Forests protected by local communities in the border areas of West Kalimantan.⁴⁰

Name and location	Area (ha)	Protected area	Reason for protection
Hutan Gunung Senuju, in sub-district Sejangkung, Sambas	-	Protected by local community	Source of water
Hutan Gunung Lubuk Sampuk and Gunung Temeguk in Dusun Ngira and Mabid Desa Semongan, sub-district. Noyan, Sanggau	-	Protected by local community	Ulin, bangkirai and meranti timber
Hutan Bukit Kelampai and Batu Balai in Desa Sungai Tekam, sub-district. Sekayam/Balai Karangan, Sanggau	-	Protected by local community	Water source Reserved for local wood production
Hutan G. Timuk and G. Entumuk in Desa Lubuk Sabuk, sub-district Sekayam/Balai Karangan, Sanggau	-	Will be protected by local community	Water source Cultural functions
Hutan Lindung Adat G. Singgang in Desa Semanget, sub-district. Entikong, Sanggau	-	Forest protected for cultural practices by local community	Source of water for various villages
Hutan Lindung Terinting and Hutan Melanggar in Desa Engkangin, sub-district Air Besar, Landak	-	Forest protected for cultural practices by local community	Water source Food source Cultural functions
<ul style="list-style-type: none"> • Hutan Taroh • Hutan Galau • Hutan Ndor Kerja • Hutan Pemanfaatan in Desa Sei Utik, sub-district Embaloh Hulu, Kapuas Hulu	3.667,20 1.510,70 1.596,06 2.680,29	Forest protected for cultural practices by local community	Future natural resource
Hutan Labian in dusun Ukit-Ukit, sub-district. Batang Lupar, Kapuas Hulu	30,000	Forest protected for cultural practices by local community	Protected area
Hutan Lindung/Tembawang Seriang in dusun Tangit II, sub-district Kec. Badau, Kapuas Hulu	2,850	Forest protected for cultural practices by local community	Cultural practises Agroforestry
Hutan lindung adat Empaik, Kekurak in Pulau Majang, sub-district Ng Kantuk, Kapuas Hulu	-	Forest protected for cultural practices by local community	Protected area
Hutan Lindung Adat Bukit Prapau, Serawi and Bakung, in Dusun Kayu Baung, Desa Martanjung, and dusun Marakai Jaya Kec. Puring Kencana, Kapuas Hulu	400	Forest protected for cultural practices by local community	Protected area
Hutan Bukit Batu Kran in Dusun Jelumuk, Desa Panding Jaya, sub-district Ketungau Tengah, Sintang	-	Forest protected for cultural practices by local community	Protected area
Hutan in Dusun Mangerat and Dusun Sebara, Desa Tanjung Sari, sub-district Ketungau Tengah, Sintang	-	Forest protected for cultural practices by local community	Protected area
Hutan Munggu Payan and Hutan Munggu Gelombang in Desa Ng Seran, sub-district Ketungau Tengah, Sintang	-	Forest protected for cultural practices by local community	Protected area

Note: - = not available

Unfortunately, illegal logging has become a significant source of income in parts of the border area, affecting the Betung Karihun, Kayan Mentarang and Danau Sentarum National Parks, as well as protection forests (*hutan lindung*) and production forests. A few years ago, the Ministry of Forestry estimated that each month, around 80,000-100,000 m³ of illegal timber crosses the East Kalimantan – Sabah border and 150,000 m³ from West Kalimantan into Sarawak.⁴¹

Even without the mega-project, oil palm is already becoming a source of income in the lower laying areas in the northern parts of the East and West Kalimantan border

areas. In East Kalimantan, these oil palm plantations are in part linked to transmigrant and ex-foreign worker (TKI) projects (note: East Kalimantan *already* has a one-million hectare oil palm project that aims to employ the former foreign workers who were ousted from Malaysia in 2003). In West Kalimantan, oil palm is more commonly developed under smallholder schemes, which commonly bring in migrants from Java.

Planning for oil palm development (and the border oil palm mega-project in particular) does not involve proper consultation and usually takes place without the free, prior and informed consent of local communities. As a result, communities are generally unaware of the government's plans for the border area up to date. Of those that are aware of the project, many univocally oppose any oil palm development in their areas (Box 3).

Box 3. Community statements: NO OIL PALM!

Malinau, East Kalimantan

On 12 January 2006, the Foundation for Support and Empowerment of the Dayak Punan in Malinau (*Lembaga Pemerhati dan Pemberdayaan Dayak Punan Malinau, LP3M*) issued a statement on oil palm in which it recommended to the government:

1. To stop the million hectare project for the exploitation of large-scale oil palm plantations in East Kalimantan and other large-scale oil palm projects;
2. To recognise traditional community rights over ancestral lands;
3. To fulfil of the district head's commitment to develop a Conservation District in Malinau, as committed by him at a workshop in 2006;
4. To not issue any new permits for the opening of land for large scale oil palm in Malinau;
5. To revive the traditional farming systems which do not harm the ecosystem, and to proactively facilitate market access for rattan and other Non-Timber Forest Products;
6. To support Non-governmental organizations (NGOs) and Credit Unions who support community development;
7. To start an action program for means of production that are environmentally friendly and that protect water sources, traditional medicines from NTFPs and the traditional cultural practices;
8. To undertake efforts to protect the forests of Kalimantan, for they are the source of oxygen for all mankind.

Semuning Jaya, Bengkayang District, West Kalimantan

The indigenous community of Semuning Jaya is outraged with oil palm expansion. Their customary rights land is part of a 20,000 oil palm plantation concession owned by PT Ledo Lestari under the Duta Palma Group from Riau. The community of Semuning Jaya had not been consulted about the project, nor had they given their permission for the operation. Furthermore, the company started operations without a Timber Utilization Permit (IPK), without an Environmental Impact Statement (AMDAL), without a Forest Use Licence (PKH) and without an Operation Permit (HGU).

However, it was the community that got into trouble when, out of anger with the project, they confiscated a Komatsu excavator and six STIHL chainsaws on December 12, 2005. Their action resulted in the detention of 2 villagers between 30 January and 7 February 2006.

On February 19, 2006, the Semuning Jaya community issued statement, signed by 229 villagers, to President Yudhoyono, 23 other government officials and PT Ledo Lestari:

"We the indigenous Dayak community of Semuning Jaya call upon you to respect the sovereignty of our land, the protection of our water and forest resources as we inform you that we still refuse any oil palm plantation in our area, in whatever form or shape it may be for the following reasons:

1. The oil palm plantation deceived the community of Dayak indigenous people in Semunying Jaya village, Jagoi sub-district, Bengkayang district provincy West Kalimantan;
2. Two of our community members have been arrested by the Bengkayang police;
3. Oil palm does not suit the way of life and culture;
4. We would not be free to sell any Fresh Fruit Bunches, as the company would control a local monopoly;
5. Last, we oppose oil palm because it will result in the loss of our land, the loss of our forests, increased flooding and conflicts between communities.

Melingkat, Sintang District, West Kalimantan

On November 12th 2005, the customary *adat* leaders of Melingkat simply compiled a statement that they “strongly oppose all oil palm plantations, in whatever form they may appear”.

Sungai Antu, Sintang District, West Kalimantan

On October 30, 2005 the village leaders of Sungai Antu reinforced an earlier statement dating of January 2005 in which they committed, with strength, “to stop any oil palm companies entering their area” for the following reasons:

1. Oil palm will destroy our source of water, which is now still clean and healthy;
2. Oil palm will destroy our traditional agricultural practises, specifically locust attacks will occur which surely have their origin in the oil palm estates;
3. Oil palm does not suit the vision of the people in the sub-district of Ketungau Hulu, and specifically not that of the Adat Bugau community.

Sanjan Emberas, Pandan Sembuan village, Sanggau District, West Kalimantan

In 1985-1986, the State Plantation Corporation PTPN XIII opened an oil palm plantation in Pandan Sembuan village. Ever since, relations between the company and community have been tense. A statement, signed by 52 villagers of Sanjan Emberas, calls upon the company to:

1. Compensate crops lost during conversion;
2. Compensate the harvest for the farmers who have not yet received their plasma between 1989 and 2004, when the company was taking the benefit from the same land;
3. Compensate the cost for court attendance for in total 32 times between 1994-1999;
4. Hand over the *plasma* (smallholder) units to the farmers who have not yet received them;
5. Hand over the *inti* unit (the corporate owned plantation) back to the community;
6. Restore the pride of those villagers who were intimidated by the company.

Lubuk Tapang, Singtang District, West Kalimantan

The community of Lubuk Tapang issued a statement signed by 304 villagers:

1. Our area already has enough problems, that is why we do not want oil palm in our area;
2. If oil palm enters Lubuk Tapang, then we will not hesitate to destroy it;
3. The only company that is allowed to enter our area is a natural rubber company.

Muakan village, Sintang District, West Kalimantan

On behalf of 1,005 villagers, the village leaders of Muakan and Sungai Enteli Pedian came out with a statement against oil palm in their area in 2005. They argue that:

1. The forest and environment must be well tended;
2. It is better to grow local rubber varieties, durian gardens, vegetables and other local products;

3. Don't allow companies undermine the traditional *adat* practises;
4. Stop the entry of oil palm plantations as they will only bring disaster to the traditional *adap* communities;
5. Villagers of Muakan and Sungai Enteli Padian will stop any company that does not respect the wishes of the indigenous community in the area.

Dayak Pengunungan Niut, Landak and Bengkayang Districts, West Kalimantan

On May 29, 2005, the village leaders of the Dayak Pengunungan Niut, representing 10 villages from Landak District and 1 village from Bengkayang District came out with a statement because their area is proposed for both oil palm and logging. They declared:

1. We refute the expansion of oil palm in our area because we want development without destroying the environment;
2. We refute logging companies, tree plantations, mining and other land clearing that destroys our resources in our area;
3. Stop gambling, hard drinking, drugs because it is undermining our community;
4. The government and companies must uphold and respect our rights to natural resources;
5. Consult us if there are economic development options for sustainable natural resource use;
6. We call upon the district governments of Landak and Bengkayang to address our urgent need for education and health care, electricity, bridges and *formost* a road. These are all required to develop the economic potential in our area.
7. Conduct truly participative mapping of our area so as to sustain our natural resources;
8. For our own prosperity's sake, we will become members of the credit union.
9. Last, we strongly call for the retraction of Presidential Regulation No. 36/2005 which proposes the abolishment of land rights for the sake of national development.

Empunak village, Sintang District, West Kalimantan

In a letter to the Head of Sintang District, dated 30 October 2005, the community of Empunak village outlines their vision and desires in an utterly disarming manner:

"We discussed the oil palm issue, and found that oil palm is unacceptable to the community of Empunak. They wish to grow rubber, rice and vegetables as they have successfully done until now. We hope that hereby we can move forward for now and the future. We do not have time to have many meetings on these issues as we need to tend our fields and assure that our community has homes to live in. That's all we hope for."

The above statements are not just formulated in opposition to the border oil palm mega-project, but mostly refer to *already existing pressures* from oil palm companies in the border area. The communities base their positions on what they are already experiencing and what they see happening in other villages in Kalimantan. Those communities that have already been confronted with oil palm companies in their areas commonly suffer from the following impacts:

- Loss of land, natural resources and livelihood options;
- Long lasting conflicts over land rights or compensations, sometimes ending in violent conflict with the plantation companies' security personnel and police;
- Internal conflicts within the communities due to rapid decay of customary laws and practices;
- Influx of migrants, with culturally different practices and values.

Indeed, the local communities in the border area have much to lose. Based on a 3 year study in Malinau (East Kalimantan), two flora and sustainable forest use researchers at CIFOR Basuki and Sheil concluded:

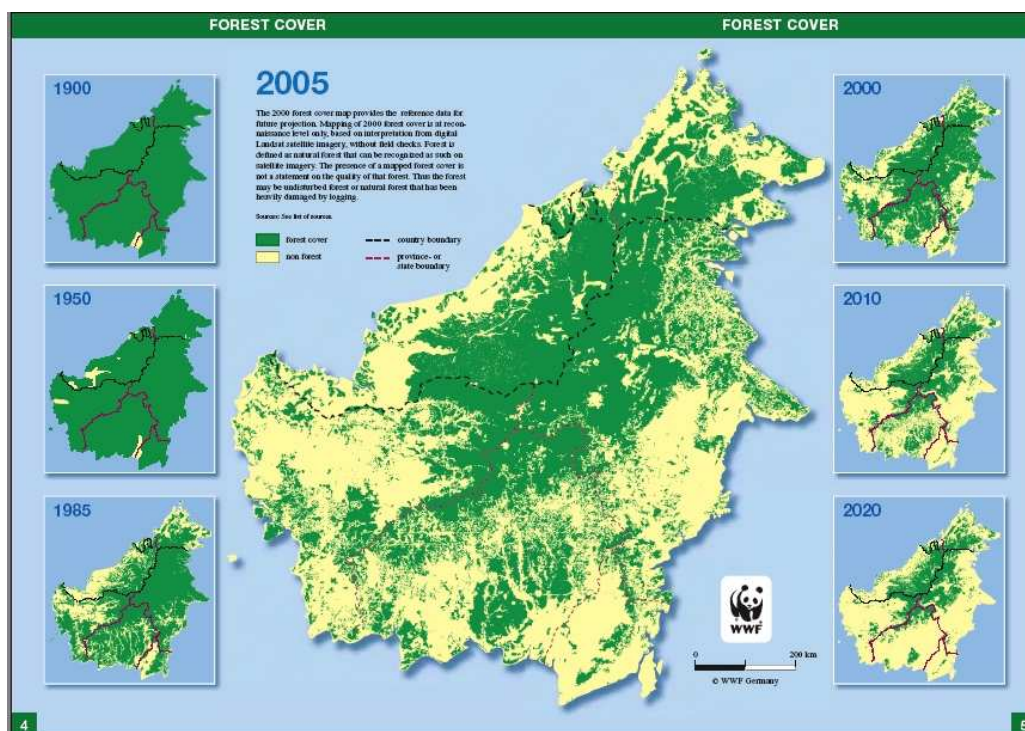
"We are concerned the plantation will be established on poor soil where all our evidence shows that it will not be economically viable. We are especially concerned this may include areas of forest important to local livelihoods, and with significant cultural value for the local people. And let's not forget the important role such forests play in sheltering the world's biodiversity. We have seen too many plantation schemes used as an excuse to remove valuable timber, but leaving the local communities worse off." ⁴²

In summary: national and international media have reported mostly on the biodiversity impacts of the oil palm mega-plan, but the testimonials above show that the social implications are equally disastrous. Furthermore, the testimonials show that the border oil palm mega-project is not just a theoretic plan that could threaten indigenous communities; they are *already* confronted with the pressures of oil palm expansion. Last, the communities have a pretty clear idea of what needs to be done in their areas.

3.2 Impacts on the forests

By and large, the Kalimantan - Malaysia follows the highest peaks of the mountain range that runs through Borneo from the Southwest to the Northeast. In the immediate border zone, lowlands are limited to the coastal areas of the far west (Sambas to Sintang) and northeast (coastal Nunukan – Bulungan) whereas the rest of the border zone is rugged, mountainous, forested and isolated.

Figure 4. Forest cover in Borneo.



Source: WWF Germany.

In the past 20 years, Borneo has already lost much of its forest cover due to unsustainable logging, plantation development, mining and unsustainable shifting cultivation (see Figure 4 above). Notably Malaysian logging companies have been successful in opening up the timber resources on their side of the border. In Sarawak, logging roads already reach all the way up to the Kalimantan border in

most places outside National Parks; roads that are allegedly now used for transportation of illegal timber from Indonesia (see Figure 5). On the Sabah side, ample logging roads and massive clearings can be observed near to northeast Kalimantan (the *Kalabakan* oil palm project).

Overall, much less forest degradation has occurred on the Kalimantan side of the Heart of Borneo area. This is primarily because two large National Parks (Betung Kerihun with 800,000 ha and Kayan Mentarang with 1,360,000 ha) are located immediately alongside the Kalimantan-Malaysia border. Outside these parks, most forests are under logging concessions, but due to high transportation costs few companies have fully logged their concession areas, leaving the forest is excellent quality in many places.

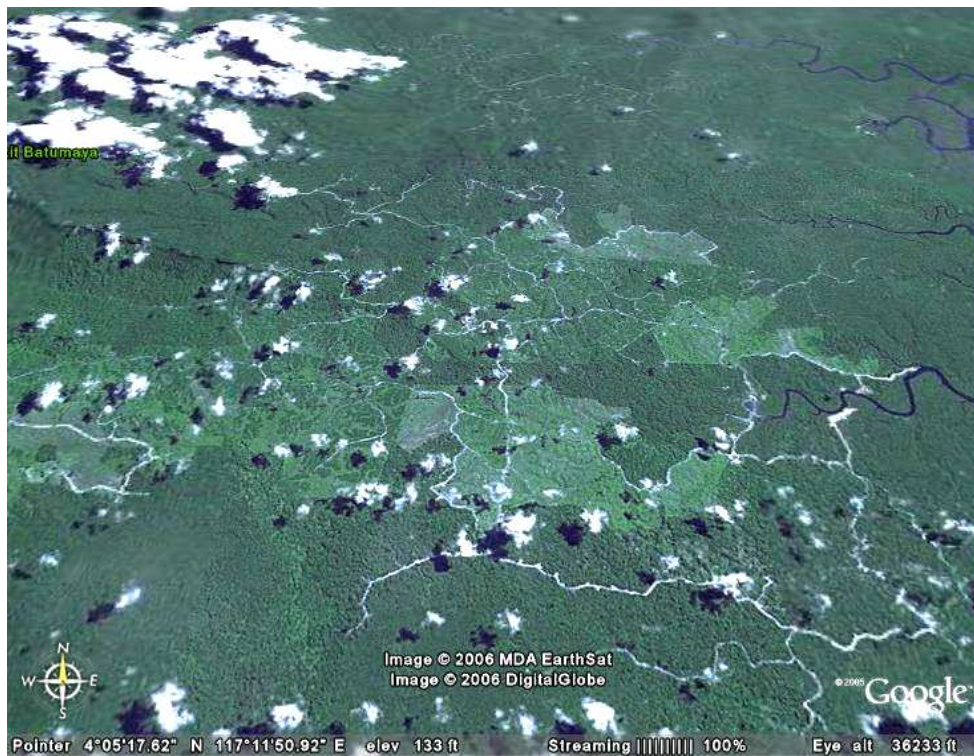
Figure 5. Satellite picture of the Kalimantan – Malaysia border area



Source: Google Earth

The upper portion of the picture is Sarawak, the lower part is Kalimantan. Note the logging roads (white irregular lines on the mountain ridges) and the plume of smoke along a logging road on the Sarawak side.

Figure 6. Satellite image of the northern part of East Kalimantan.



Note: The image the PT Nunukan Lestari Jaya oil palm concession. The image is taken from a slight sideways angle. Note the logging roads and the clearings (lighter green). Probably no oil palm is planted in the area.

Figure 7. Satellite picture of Sambas district, West Kalimantan.



Source: Google Earth, 2005.⁴³

Note: the image shows the PT Usaha Malindo Jaya concession (Sinar Mas group) in the ex-Yamaker Malindo Jaya concession (top part, with heavy smoke fumes), and PT Sambas Jaya Sakti concession.

The Kalimantan border zone forms a major chunk of a 22 million hectare area in Sarawak, Sabah, Brunei and Kalimantan that WWF labelled the “Heart of Borneo” (HoB). The HoB concept is designed to promote biodiversity conservation through better management of existing protected areas, linking protected areas, expanding protected areas and sustainable forest use.⁴⁴

The HoB area harbours well over 200 bird species, approximately 150 reptile and amphibian species and almost 100 different mammal species. Among the endangered and rare species of mammals occurring on the Indonesian side of the HoB are orang-utans, elephants and rhinos, as well as lesser-known species such as the clouded leopard, sun bear, banteng (wild ox) and endemic Bornean gibbons. According to WWF, the HoB area is one of the richest on the globe in terms of biodiversity where new species have been discovered at a rate of three per month over the last ten years.⁴⁵

If the border oil palm project as proposed by PTPN would be implemented then this means that the plantations will cut through three National Parks (Betung Karihun National Park, Kayan Mentarang National Park and Danau Sentarum National Park in West Kalimantan as well as through protection forests (forests not as strictly protected as national parks) as well as production forests. The deforestation and species loss resulting from this mega-project would be colossal and unprecedented.

Considering that the largest chunk of the immediate border zone is completely unsuitable for oil palm cultivation, full credibility may be given to the theory that the PTPN proposed scheme is designed solely to gain access to the area’s rich timber resources (see Box 4).

Box 4. Greenomics: total timber value in border area US\$ 26 billion⁴⁶

One of the drivers behind the border oil palm project, conservationists believe, is the extensive timber stock locked up in the protected forests of the border area.

A Greenomics study estimated the total stock of trees in protection forests and National Parks at 115 million m³ from trees with a diameter of 50 cm beyond, while the stock of trees of 20 cm beyond is 403 million m³. By far most of this stock is locked up in the National Parks of Kayan Mentarang and Betung Karihun.

Outside these protected areas, there are 650,000 hectares of production forest left, and 23,716 hectares of conversion forests. The total timber stock remaining in production forests is 16,9 million m³ of trees of 50 cm diameter and beyond, and 37.6 million m³ of trees with 20 cm diameter and beyond.

The remaining total value of the timber stock in production forests, Greenomics estimates, is US\$ 2.7 billion, compared to US\$ 23.4 billion in protected areas.

According to Greenomics, around 60% of all forest conversion for the purpose of planting oil palm and pulpwood plantations still occurred in good forests in 2004-2005.

Greenomics calls upon the Indonesian government not to allow any further conversion of protected forests in the border areas. The remaining production forest must be rehabilitated and sustainably managed, so to optimise the potential of the forest. Oil palm plantations could be developed on abandoned oil palm concessions. No production forest should be released for further land clearing.

The impact of other scenarios on forests is at present more difficult to forecast because there is no agreement yet over how broad the border zone is and, as a

result, there are many different (often contradicting and confusing) land and forest cover statistics circulating. The Ministry of Forestry used 4 different categories, as follows (Table 4):

Table 4. Forest cover in the forestlands of the border area.

<i>Border area (km)</i>	<i>Forest covered forestland</i>	<i>Non-forested forestland</i>
20	2,266,700	567,800
50	5,258,500	1,451,900
75	7,224,600	2,528,200
100	8,884,300	3,688,600

Source: Ministry of Forestry.

Note: these data refer to the forestlands under the jurisdiction of the Ministry of Forestry only.

The broader border zone (20-100 km) comprises a more diverse landscape but Ministry of Forestry data and satellite images show that the broader zones are still heavily forested, with forests falling mostly under the protection forest and production forest categories.⁴⁷

None of the suitability assessments and maps comprised serious efforts to assess the real land use in the non-forested lands. Based on satellite images, however, it can be safely assumed that the lion share of non-forested lands in the broader border zone are used by local communities and comprise a mixture of forests, semi-natural forests resulting from shifting cultivation and permanent agriculture. In other words, such 'non-forested' lands are not necessarily unused. Furthermore, the agro-forestry ecosystems that local communities developed and maintain harbour biodiversity values that cannot be ignored as being irrelevant.⁴⁸

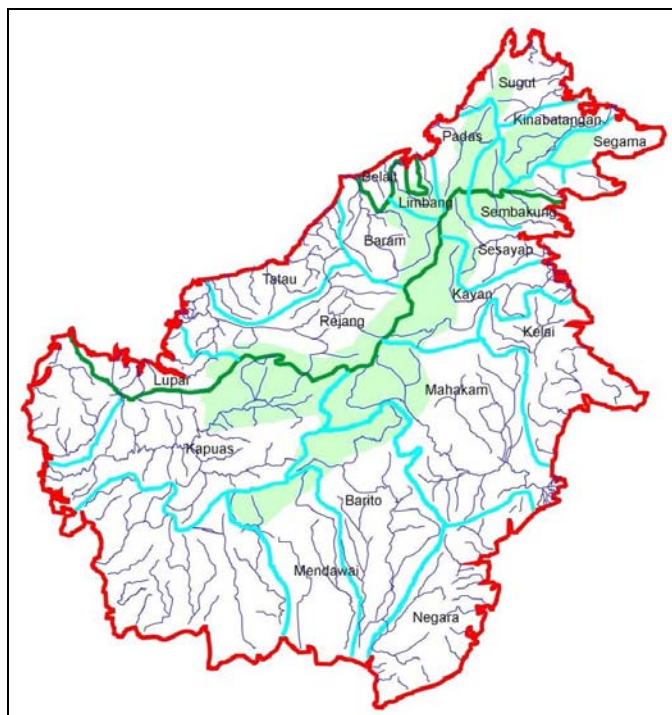
3.3 Impacts on water supply

Apart from biodiversity losses and local communities' loss of land, Walhi – Friends of the Earth Indonesia, WWF and others expressed concern about the possible impacts of the border oil palm project on the quality of water supply and risk of flooding in the lowlands of Borneo.

In Borneo, 14 out of 23 rivers in Borneo have their upstream input in the mountain forest areas (see Figure 8). Extensive clearing of these forest areas will affect 5 watersheds on the Kalimantan side and another 5 in Sabah and Sarawak. A study being conducted by Greenomics Indonesia found that a total area of 13.6 million hectares in West and East Kalimantan would be affected (not included is Barito River, in Central Kalimantan). The Bappenas/Indonesian government workshop held in Jakarta on 23 January 2006 recognised that the economic impact of disruption of watersheds would run into the trillions of Rupiah (i.e. billions of US\$).⁴⁹

In scenarios other than the PTPN proposed oil palm development in the immediate border zone, the impact on watersheds and water supply would be less extreme.

Figure 8. Watersheds in Borneo.



Source: WWF/Heart of Borneo CT

Note: the light green area represents the Heart of Borneo area.

Box 5. Regional council representatives: “Stop the border oil palm project”

In March 2006, Regional Council Representative (*Dewan Perwakilan Daerah*, DPD) Muhamad Sofwat Hadi called upon the central government to stop the development of oil palm plantations in the border area because it does not have favourable conditions for oil palm plantations and its development would harm the environment. Furthermore, the regional representatives expected that the benefits would not go to Indonesia. Instead, plantations should be developed in abandoned, more accessible areas.

The DPD represents 16 regional representatives from the four Kalimantan provinces.

Djoko Suyanto, military commander in the Indonesian Armed Forces (TNI), later responded that the million hectare project should go ahead because of its strategic importance. The project would help to make the border area safer, emphasizing that the project was already being discussed for decades. He questioned the environmental argument of the Regional Council Representatives, as he had observed from a helicopter that the forest was already destroyed due to illegal logging.⁵⁰

3.4 Land suitability

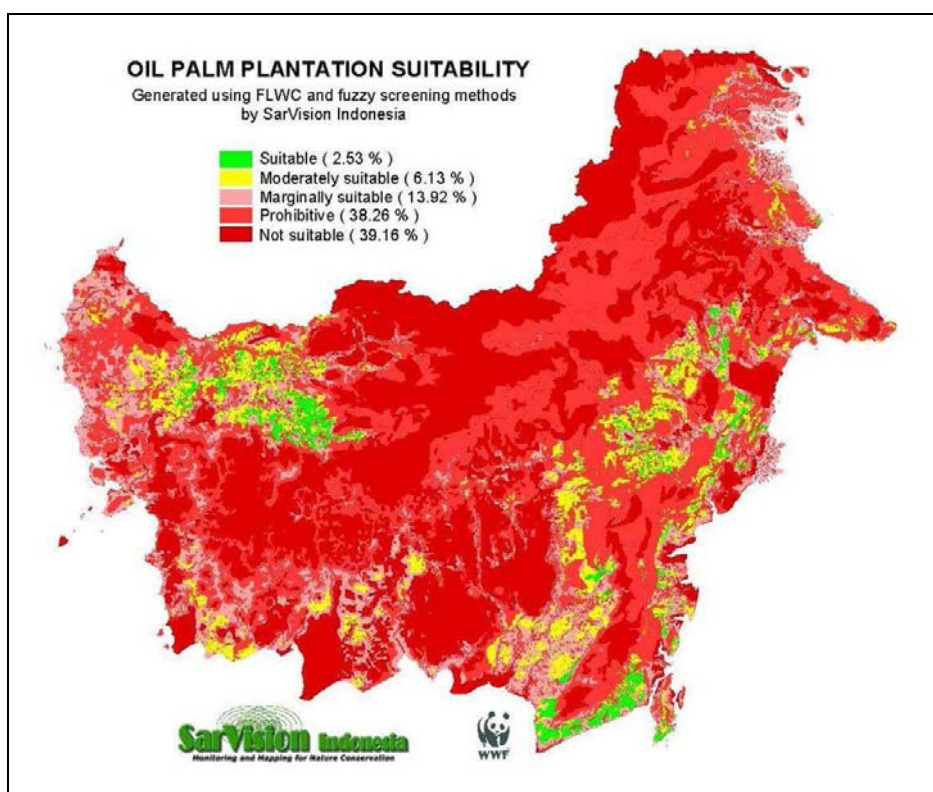
From an agronomic point of view, the PTPN proposed scenario was utterly unrealistic because the proposed plantations would be developed in mountainous, steep and rugged land with soils sensitive to erosion, all highly unfavourable for oil palm cultivation.⁵¹ Furthermore, the proposal assumed that the government would construct the thousands of kilometres of new roads in rugged terrain required to link the plantations to ports, unless the palm oil would be transported straight to facilities in Malaysia (where surely the bulk of value added would be created). Last, but not

least, the PTPN proposal completely disregarded the willingness of the people living in the border area to accept oil palm, be it as workers or smallholders, or to accept the hundreds of thousands of transmigrants that would need to be brought in to plant and maintain the estates.

Even though common sense commanded a straightforward answer to the question: “does this make economic sense at all?”, a number of land suitability studies were conducted in the past 6 months. These studies reached diverging conclusions, primarily due to different interpretations of what comprises the border zone, but largely found that oil palm cultivation in the immediate border is utter non-sense:

1. Research carried out in 2004 by the Centre for International Forestry Research (CIFOR) in the Heart of Borneo area in Kalimantan, showed that out of 200 sample sites, none were suitable for the cultivation of oil palm.⁵²
2. Based on GIS analysis, a 2005 SarVision study commissioned by WWF found that less than 10% of the whole of Kalimantan are suitable for oil palm cultivation (see Figure 9). The study was based on agronomic and forest cover criteria. This assessment did not include social criteria, i.e. customary land claims/willingness of local communities to accept oil palm;

Figure 9. The SarVision map of oil palm suitability in Kalimantan.



3. A study by the Indonesian Palm Oil Research Institute (IOPRI) conducted for the Ministry of Agriculture found that only 180,000 hectares along the immediate border is suitable for oil palm development. This is primarily because other areas are mountainous, too high in altitude (> 400 m), the climate is inappropriate and there are protected areas. The IOPRI study used a 5 kilometre limit to define the border area.⁵³

4. In 2005, the National Ministry for Development Planning (Bappenas) undertook an assessment of land suitability for oil palm cultivation in the immediate border zone (precise broadness unspecified) as well as in an area 100 km south of the border.⁵⁴ The assessment was only based on agronomic criteria such as altitude, slope, soil type and rainfall. According to Bappenas' assessment, there would be 467,000 ha of land suitable for oil palm development in the immediate border zone. However, Bappenas suitability assessment in the 100 km zone delivered a suitable area of 3,368,363 ha, equal to 47% of a total area of 7,103,288 ha (see Figure 10). After deducting some reserved land, the total area of suitable land in a series of districts is as follows, according to Bappenas (Table 5).

Table 5. Land suitability assessment in the immediate border zone, according to Bappenas.

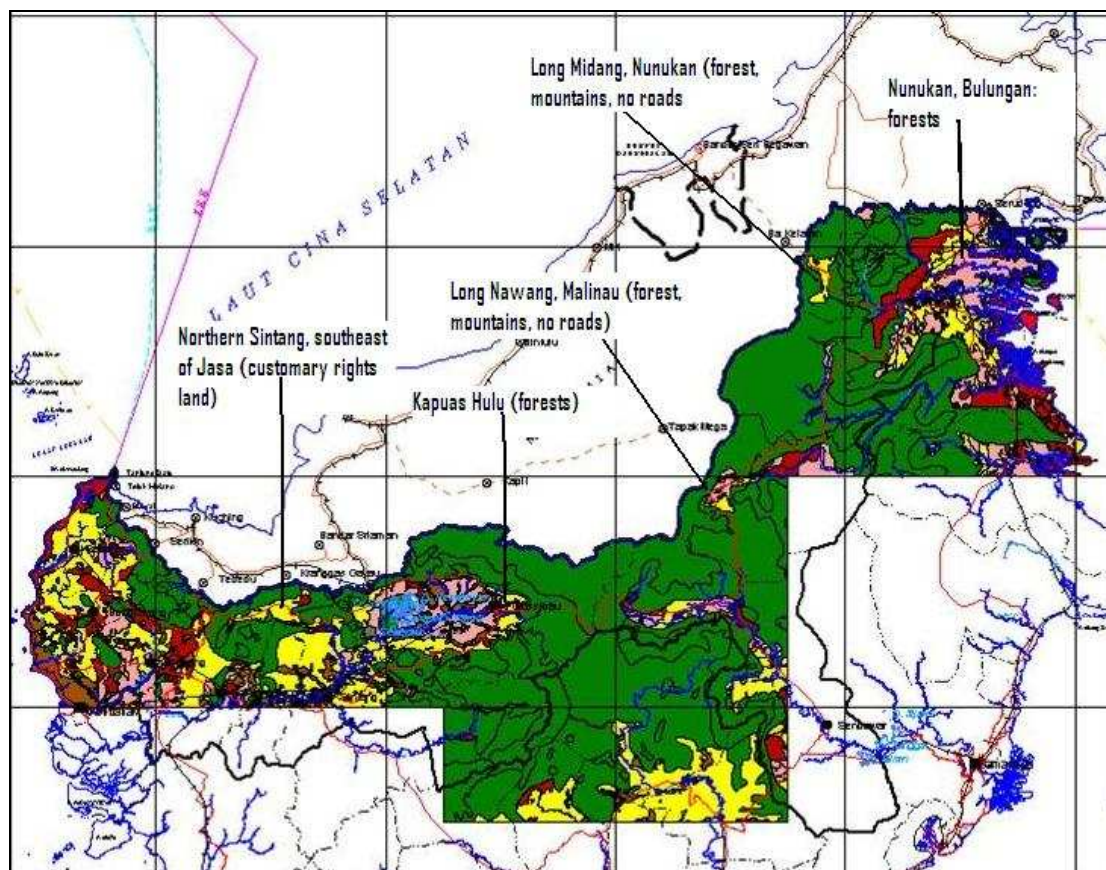
A. Immediate border zone	
Regions (districts)	Suitable area (ha)
Temajo-Aruk (Sambas)	71,526
Jagoi Babang (Bengkayang)	141,259
Entikong (Kab Sanggau)	105,403
Simanggaris (Nunukan)	145,619
Total	463,807

B. 100 km zone	
Regions (districts)	Potential area (ha)
Temajok, Aruk, Sambas and Singkawang	520,806
Jagoi Babang, Bengkayang and Mempawah	471,570
Pontianak, Ngabang, Sanggau and Entikong	694,115
Putisibau and Nanga Badau	373,652
Semanggaris, Malinau and Tanjung Selor	541,883
Sekadau, Sintang and Jasa	639,939
Total	3,241,965

Initial comparison of the Bappenas map with (Earth Google) satellite images shows that several of the areas deemed largely suitable by Bappenas (yellow) are, in fact, clearly unsuitable for oil palm. For example, the yellow patch near Long Midang, in Nunukan, at the top of East Kalimantan, right at the Sarawak border comprises a mountainous, forested landscape with no road access. The same applies to the yellow/pink area further south in Long Nawang, Malinau District. Much of other areas in Nunukan and Bulungan (north East Kalimantan) are still forested. Existing clearings in these districts (which would deliver a "suitable" scoring in the agronomic assessments, because the forest has already been removed) are, in fact, clearings caused by oil palm companies.

The area near Jasa, in the northern part of Sintang (West Kalimantan) provides a good example of how customary rights land is mapped out as being > 75% suitable for oil palm:

Figure 10. Land suitability for oil palm according to Bappenas.



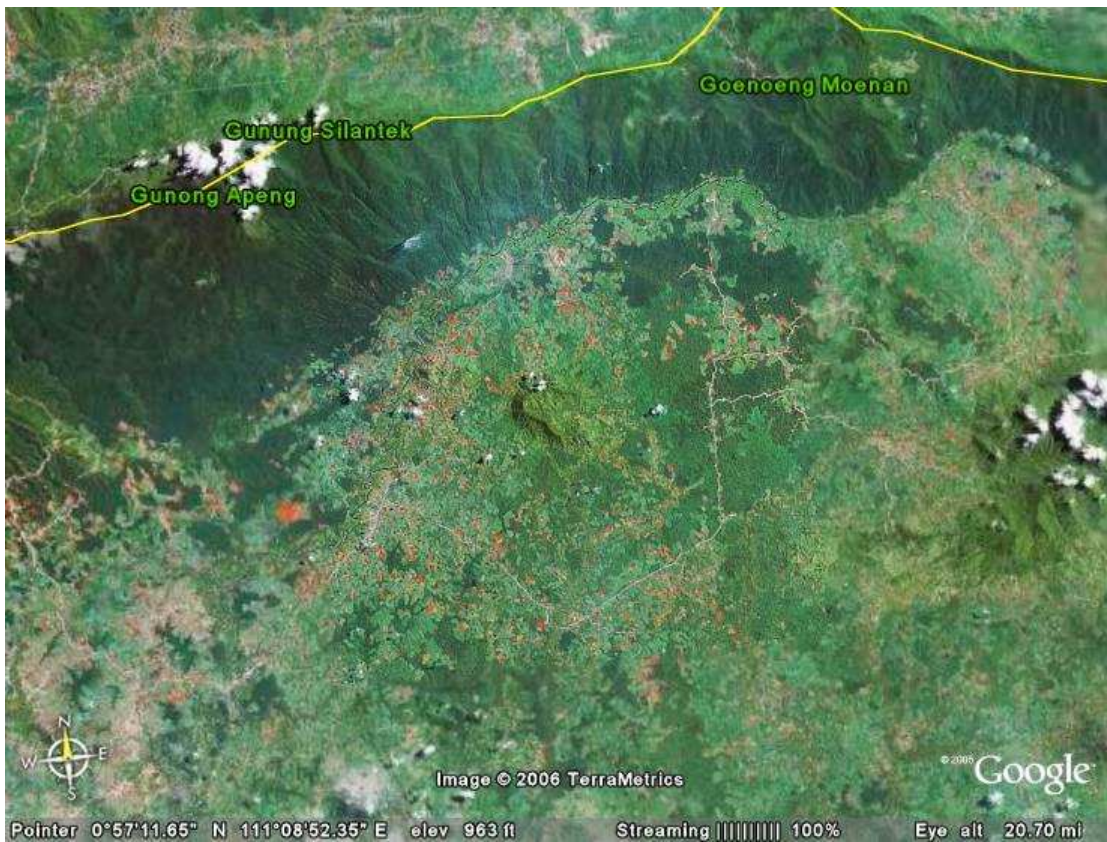
Source: Bappenas 2006. Note: yellow: > 75% suitable; brown: 50-75% suitable; pink: 25-50% suitable; light pink: >75% unsuitable; green: protected forestland.

In reality, the area shown in Figure 11 is not suitable for new oil palm expansion, simply because the largest share of the area has already been handed out to a number of oil palm plantation companies (Figure 13).

Essentially, land suitability assessments are showing that only very small parts of Kalimantan, notably the border area, are suitable for large-scale oil palm cultivation. And, these assessments are based on agronomic and forest cover criteria only, and even then unsuitable areas are still included in the mapped as “largely suitable”: some areas categorized as ‘suitable’ still contain forests, mountains and inaccessible areas. It is furthermore disturbing that areas deemed suitable for oil palm in the land suitability assessments include existing oil palm plantations, which results in inflation of the suitable area. After all, areas already converted into oil palm are not suitable for *new* conversion.

But foremost, a rough comparison of the land suitability maps with satellite imagery shows that areas mapped as ‘suitable’ are in fact areas used by local communities, much of which can be assumed to customary rights land.

Figure 11. Land use in Northern Sintang, Southeast of Jasa (see also Figure 13).



Note: dark green is forest; all lighter grades of green and red are a mixture of rubber groves and semi-natural forest and permanent agriculture. Orange/red spots are shifting cultivation fields that were recently opened up. Clearly, this land is used by thousands of people. Bappenas classified this area as being >75% suitable for oil palm. The image pre-dates 2002.

4 Recent developments

4.1 Adjusted policy commitments

The PTPN proposal, land suitability assessments and lobby work by civil society organisations and other interested parties have led a number of decision makers to clarify their stance with regards to the oil palm project (see Appendix 1 for an overview of key government actors and their positions):

1. On 11 August 2005, the Ministry of Forestry came out with a statement that it would no longer issue forestland conversion permits since 2.3 of 4.6 million hectares of forestland in Indonesia released for plantation development was left abandoned. The Ministry sent warning letters to 397 companies. The Department of Forestry Planning mentioned that it was reviewing 1,301 applications for forestland conversions.⁵⁵
2. In October 2005, the Minister of Agriculture, Anton Apriantono, accepted the findings of the IOPRI study that found that only at most 180,000 hectares of land in the border area would be suitable for oil palm. The Minister also stated his agreement with the WWF point of view to put forward the importance of environmental aspect in relation to the development of sustainable plantation of which has been an international agreement.⁵⁶ In February 2006, Minister Apriantono stated publicly that the government should prioritise the development in abandoned land;

The Ministry of Agriculture also stated that the development focus in the border area does not only involve palm oil, but “also other crops suitable under existing local agronomic and social conditions such as, rubber, cacao, tea, coffee, pepper, Dipterocarpaceae trees and other agroforestry products. . This development of course has to also consider economic, social and environmental aspects”.⁵⁷

3. During a workshop organized by the National Ministry for Development Planning (Bappenas) on January 23, 2006, the Coordinating Ministry of Economy with inputs from all other relevant ministries presented some dilemmas regarding the border development plan. During the meeting, the lack of activity in many areas allocated for oil palm development was recognized. It was suggested that perhaps a moratorium on the issuance of permits should be considered;⁵⁸
4. During a recent meeting with WWF Indonesia in January 2006, Minister of Forestry Ka’ban also suggested that abandoned land should be used for oil palm in the border area instead of forest areas. He furthermore stated that any plantations development should be based on feasibility studies and that the area considered should at least extend to 100 km south of the border because very little land within the 25 km band is suitable for oil palm;⁵⁹

The Ministry of Forestry is furthermore working on a new management concept for degraded forestlands under the so-called Build, Operate, Rehabilitate and Transfer (BORT) model. Under this model, licenses would be given to companies who would be allowed to convert a certain portion (40%) of a degraded forest area into cash crops for a non-extendable period of 25-35 years, while restoring the natural forest in the remaining area. Towards the end of the cycle, the operator would restore the cash crop area into forest. According to the Ministry of Forestry, the area that could be made

available for cash crops under the BORT model ranges between 19,000 ha in a 20 km border zone to 318,000 ha in the 100 km zone.⁶⁰

5. In January 2006 the Directorate General of Spatial Planning released the most recent draft version of the Regional Spatial Plan for Kalimantan which foresees in recognition of High Conservation Values in the Heart of Borneo area. This plan is yet to be signed by President Yudhoyono;
6. On March 28, 2006, the Indonesian government declared its support to the WWF Heart of Borneo vision during the CBD meeting in Curitiba, Brazil. WWF stated that this announcement spelled the end of plans to create the world's largest palm oil plantation in Kalimantan along Indonesia's mountainous border with Malaysia.⁶¹
7. President Yudhoyono has acknowledged the conservation concerns regarding to border oil palm mega-project.

4.2 More, not less, oil palm expansion

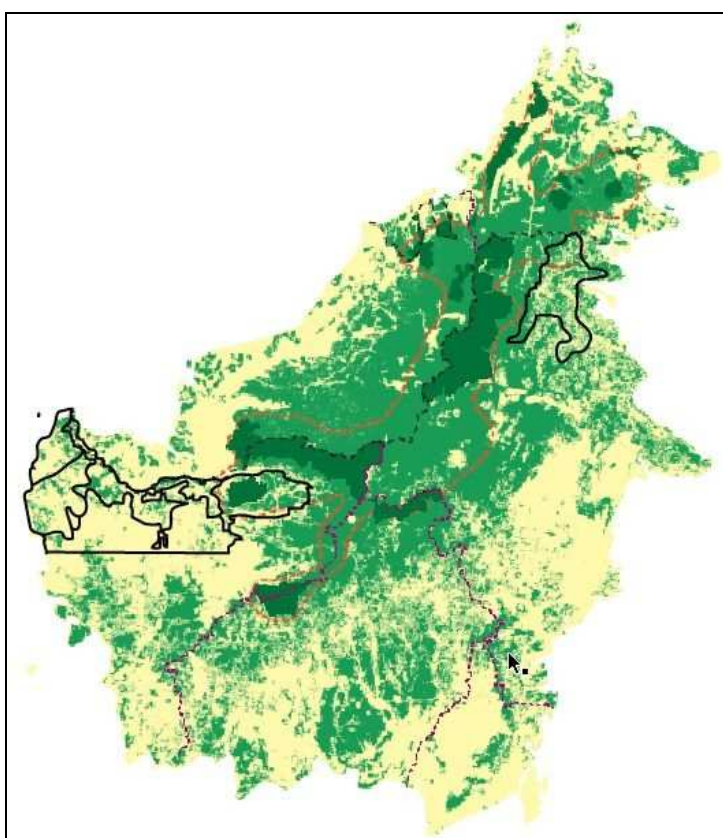
These policy commitments are of critical importance to conservation groups and local communities alike. These commitments do not mean, however, that plans to significantly expand oil palm plantations in the border area are now cancelled. Quite on the contrary:

1. Foremost, President Yudhoyono has *not made a formal statement to the general public that the border oil palm project, as proposed by PTPN, is now cancelled*. The President remains a supporter of the overall border development programme;
2. In its Memorandum of Understanding with China, the Indonesian government has committed to make land available for oil palm development with Chinese investments in the border area. The government will feel that this commitment must be fulfilled.
3. The government furthermore plans to expand the oil palm plantation area by 3 million hectares to meet the envisaged growth in demand for biofuel. Of this new expansion area, 2 million would be developed along the Kalimantan border with Malaysia, 1 million would be developed in the rest of Indonesia;⁶²
4. The Border Act will most likely define the border area as being a 100 km wide zone south of the Kalimantan – Malaysia border. If this is indeed done, then this means that any project within the 100 km zone can be justified under the banner of projects that are in the general “public interest”, according to Perpres 36/2005, allowing the government to disown land rights by force;
5. According to the Bappenas' land suitability assessment, this means that over 3 million hectares of land in the border area is considered suitable for oil palm expansion. These areas are to be identified in the priority districts identified by Bappenas (see Figure 12);⁶³
6. In February 2006, Interior Minister of State Owned Companies, Sugiharto, suggested that PTPN XIII would still develop 1 million hectares in the border area.⁶⁴ Concrete plans for the development of the first 100,000 hectares in Sambas District were already announced by Minister Apriantono in November 2005.⁶⁵
7. Furthermore, numerous concession units have already been allocated to oil palm plantation companies in the border area in the past few years, especially in West Kalimantan. In fact, so many licenses have been handed out in some

districts that there would appear to be little space for new oil palm concessions (see e.g. Figure 13; Appendix I).

8. Last, but not least, it should be born in mind that commitments made by the central government's commitment may well be utterly ignored by provincial and district level governments. For example, in May 2000 the central government committed to the Consultative Group on Indonesia (CGI) to implement a temporary moratorium on any further forest conversion for plantation development. This moratorium was and is ignored by district level governments due to contention between district and central governments over the division of authority over forests.⁶⁶ According to Greenomics, around 60% of all forest conversion for the purpose of planting oil palm and pulpwood plantations still occurred in good forests in 2004-2005.⁶⁷

Figure 12. Priority oil palm development areas.



Note: priority areas as mapped out by the DG of Spatial Planning, overlaid with the WWF Heart of Borneo forest cover map.

Thus, despite Ministerial commitments to not convert forests for oil palm expansion in the border area, the mega-project is still very much on the agenda.

Box 6. Across the border: Malaysia

In 2005, Sahabat Alam Malaysia – Friends of the Earth Malaysia - have alerted the Malaysian Prime Minister, Deputy Prime Minister as well as the Chief Ministers of Sarawak and Sabah, and the Department of Environment about the implications of the Indonesian border oil palm project. SAM urged the government to take the matter up with the Indonesian authorities and ask them not to embark on this project because of the dire consequences to the environment.⁶⁸

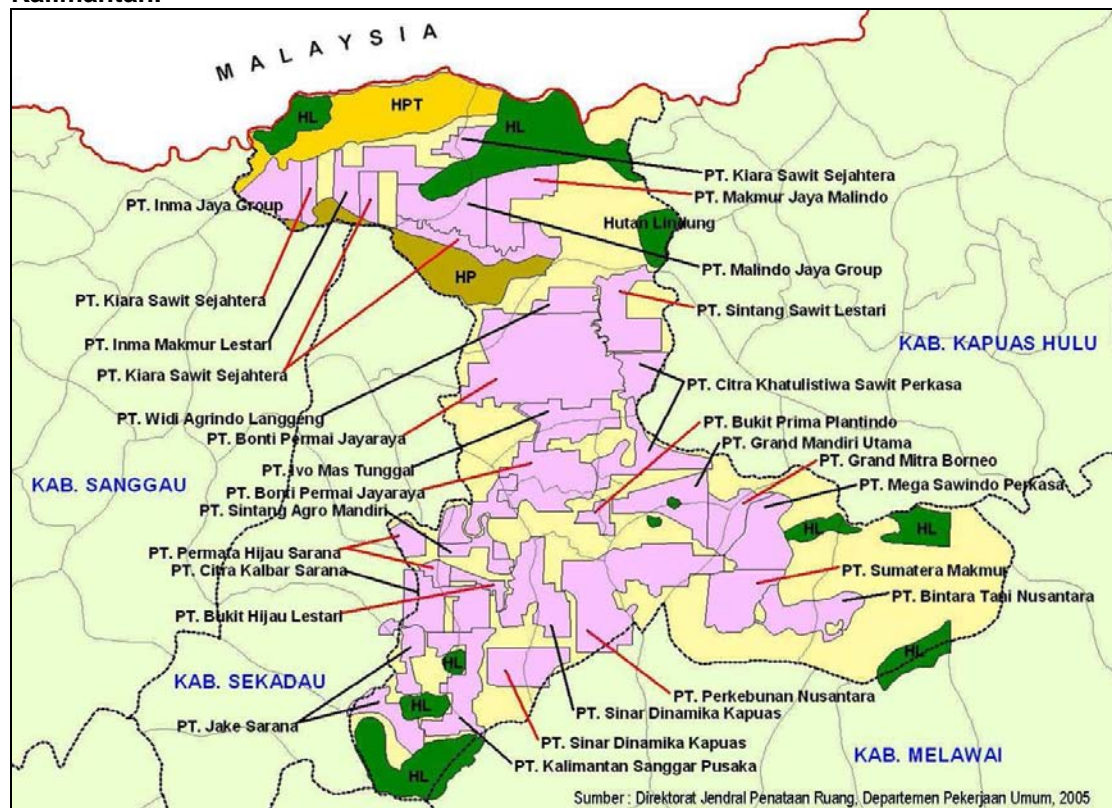
Up to date, the Malaysian government has not officially responded to SAM's calls but Malaysia-Indonesian border has apparently been under discussion at the Ministry of Defence level in Malaysia. SAM's assessment is that Malaysia is concerned about security issues relating to immigration, border disputes and also possible encroachment across the Malaysian border as a result of opening up of the forest and access roads in the border area. Given that the Indonesian military is involved in the project, SAM states that these are issues that the Malaysian government should be worried about.

Meanwhile, Malaysia's plantation companies have since long crossed the Kalimantan border. Some of the groups working in the border area include Sabah Forest Industries (SFI) from Sabah, Samling from Sarawak, PPB from Perlis and Syme Darby from Kuala Lumpur. Newcomers include Multivest Resources from Perak and Tradewinds Plantations from Sabah.

A representative from Tradewinds summarised why Malaysian oil palm companies cross the border of Kalimantan as follows: "To expand in Malaysia is no longer competitive. For example, if you invest RM 1,500 on 0.4 ha in Sarawak, the recovery takes 10 to 12 years. "However, in Indonesia, with just RM250 per 0.4ha, it takes six to seven years to recoup the investment." Tradewinds, which already owns 6,000ha of oil palm estates in Kalimantan in Indonesia, plans to boost its land bank there by at least sevenfold to between 40,000ha and 50,000ha.⁶⁹

In March 2006, the Indonesian and Malaysian governments came together to form an alliance to work more closely together in the area of oil palm. Both countries control over 80% of global palm oil production.

Figure 13. Example of oil palm concessions in the border area: Sintang District, West Kalimantan.



Note: pink = oil palm plantations; brown (HP) is production forest; green (HL) is protection forest and yellow (HPT) is limited production forest. Light yellow is other land use. The map illustrates firstly how much land within a single district is allocated to oil palm plantations. Secondly, it illustrates that already many concessions have been allocated to oil

palm companies in the lower lying parts of the border area. About two-thirds of Sintang District falls within the 100km border zone.

4.3 What about abandoned land?

It is a great win for the conservation agenda that the Indonesian national government has expressed its commitment to steer oil palm development in the border area away from forestlands (i.e. land under the jurisdiction of the Ministry of Forestry) and High Conservation Value Forests (HCVF). 'Abandoned lands' are now set to be the primary target area for the envisaged expansion of oil palm plantations in the border area. It is feared though, that this will in practise mean that the customary rights land of the Dayak communities will be taken over.

In the past 5 years, the Indonesian media regularly reported that a lot of plantation concessions issued by the government are not truly developed into oil palm greenfields. Instead, these lands appear to be abandoned as the concession holder does not work the land. Some recent data are presented below:

- In East Kalimantan, 2 million hectares of land is reserved for oil palm development, but only 303,000 hectares have been planted. It is estimated that some 3.1 million hectares of forest was cleared under the banner of plantation development.⁷⁰
- In West Kalimantan, of the 1.5 million hectares of land reserved for plantations, only 354,000 hectares are planted (see Table 6). Permits have been issued to 118 plantation companies, but only 66 companies are active.⁷¹

Table 6. Status of oil palm plantations issued in several districts in Kalimantan.

District	Area already released			
	Planted	Not yet planted	Total	Non-active
Pontianak	5,844	205,570	211,414	114,700
Landak	21,882	105,818	127,700	291,095
Sambas	12,558	117,518	130,076	113,850
Bengkayang	10,707	230,493	241,200	20,840
Sanggau	142,109	670,161	812,270	53,000
Sintang	63,088	279,062	342,150	272,625
Kapuas Hulu	5,400	15,750	21,150	319,010
Ketapang	92,749	373,326	466,075	328,650
TOTAL	354,337	1,997,697	2,352,034	1,513,770

Source: Dinas Perkebunan Provinsi Kalimantan Barat (2004).

Why so much land remains unutilized is not well research. There are a few plausible reasons:

1. **Timber** is a common motive. The demand for timber in Kalimantan and Malaysia is considerably greater than the volume that can be supplied from forestry concessions. With the strong plantation expansion drive, it was much easier to obtain oil palm licenses than it is to get a logging concession. Companies therefore applied for oil palm concessions, removed any valuable remaining timber stands and abandoned the area.

2. **Speculation:** the enormous growth in palm oil trade has created a tremendous demand for land (in 2000, the Ministry of Forestry reported it had received applications for land releases totaling over 30 million hectares altogether). Local entrepreneurs who are familiar with licensing procedures can easily set up a company, apply for various types of permits and wait until a Malaysian plantation company offers good money for a joint venture or a buy out;
3. **Monetary crisis:** just prior to 1997 when Indonesia was hit hard by the monetary crisis, the government had issued a large number of concessions which remained undeveloped due to a lack of capital. In recent years, however, most plantations are now working around the clock to catch up with their planting plans. Present planting rates are probably higher than during the pre-crisis years;
4. **Local development drive:** while bureaucracy may have stalled actual plantation development, since 1999 local governments have been very eager to hand out new areas to oil palm companies in their hope that plantations would generate quick income and, perhaps, employment. Not all of the areas allocated may have been suitable for oil palm. Many companies have had to realize that Kalimantan's soils are much less favorable for oil palm growth compared to e.g. Sumatra. Lower yields, combined with higher transportation costs may well have forced the more remotely located companies to call it the day;
5. **Community land claims:** a large portion of the 'abandoned lands' are likely to be claimed, tended and used by local indigenous communities. Developing oil palm plantations in such areas may have been approved by the government, not all companies may be prepared to handle the complexities of compensations and addressing land conflicts.

Considering these possible factors, it is obvious that for the identification of land for expansion of plantations, one cannot rely on mapping out 'empty' or 'denuded' land on satellite imagery alone, as it says little about the real availability of that land. Speculators may want to hold on to the land in expectation of greater profits or the area may be 'in reserve' during the time when a company tries to secure capital or the relevant operation permits. In these instances, apparently abandoned lands would be considered inaccessible for new plantation development, unless of course the developer was willing to pay a market price for the land.

Furthermore, there is a great risk that the abandoned lands, and of course too those lands that are not under any concession rights, are in fact part of the customary rights land of indigenous communities. Satellite imagery analysis may mistake community owned '*tanah kosong*' (literally 'empty land') for abandoned and unclaimed land. Land ownership registers may not provide additional information, as this land category is based on local *adat* law, and not on the national legislation. Within the traditional land use system, the *tanah kosong* are often used as hunting grounds but foremost, they serve as a land bank for the youth. While many indigenous communities have been forthcoming to plantation companies in surrendering their *tanah kosong*, not all are willing to do so. These lands can therefore not be assumed to be available for new plantation development. Similarly, when provincial governments categorize land as 'non-active' (as in Table 6 above) this then means that the concession rights are not exercised by the licensee.

Therefore, before re-allocating any abandoned lands to oil palm companies, any remaining conservation values and community claims on the land identified through independent surveys should be respected. Furthermore, the Indonesian government should investigate why oil palm concessions are abandoned and prosecute the

permit holders in case of evident misuse of permit rights based on Forestry Act No.41 (under which the concession areas were released for conversion) and Government Directive No. 40/1996 on land use rights, which states that if the usufruct rights are not exercised within 5 years, the government rights to the land are reinstated.

Box 7. Position statement Walhi KalTim

The regional office of Walhi in East Kalimantan strongly opposes the border oil palm project. Walhi demands that the government:

- Stops all large scale oil palm development;
- Conducts an independent review of the legality of permits already issued;
- Stops the issuance of any new permits;
- Imposes heavy sanctions on offenders who just steal forest;
- Supports economic development based on local values and realities;
- Acts against violence by companies against local communities;
- Resolves social conflicts in an open manner;
- Assures that banks to respect regulation No.10/1998 on money laundering;
- Promotes the use local food in East Kalimantan.

Box 8. Position statement Walhi KalBar, the Forum of Concerned Communities in West Kalimantan and the National Network to Save the Heart of Borneo:⁷²

- Calls upon the central and local government, as well as companies and other stakeholder to make a development concept that is environmentally sound and respects the customary rights and traditions of the indigenous communities living in the border area;
- Transmigration in the border area will destroy the social structure and culture of the indigenous communities;
- Oil palm development in the border area will destroy the natural ecosystems in Kalimantan;
- An alternative economic development, without oil palm, is needed in the border area;
- We dismiss all types of development that will exploit the indigenous community and destroy the natural environment in the border area.

4.4 Sustainable palm oil

At present, not a single oil palm company in Indonesia can provide independently verified evidence that its palm oil was produced from sustainable sources, based on multi-stakeholder, internationally agreed standards. Efforts to develop an appropriate mechanism are underway as they are being developed by the Roundtable for Sustainable Palm Oil (RSPO), to which several Indonesian companies and NGOs (e.g. WWF Indonesia, Sawit Watch) are members. RSPO adopted a set of Principles and Criteria in November 2005, and these will now form the basis of a two year trial period, to be undertaken by 17, mostly, Malaysian and a couple of Indonesian companies.

To promote greater buy in from Indonesia's producers in the actual implementation of sustainability and verification thereof, foreign palm oil buyers and investors, notably from Europe, North America, Malaysia and China should insist on palm oil production that meets the Principles and Criteria of the Roundtable for Sustainable Palm Oil (RSPO), as a minimum.

Foreign governments Europe, North America, Malaysia and China should continue their dialogue with Indonesia so to get final clarity about the border oil palm mega-project, and prepare legislation that will promote trade and investment only in

sustainable palm oil and exclude palm oil from non-sustainable sources from the market place.

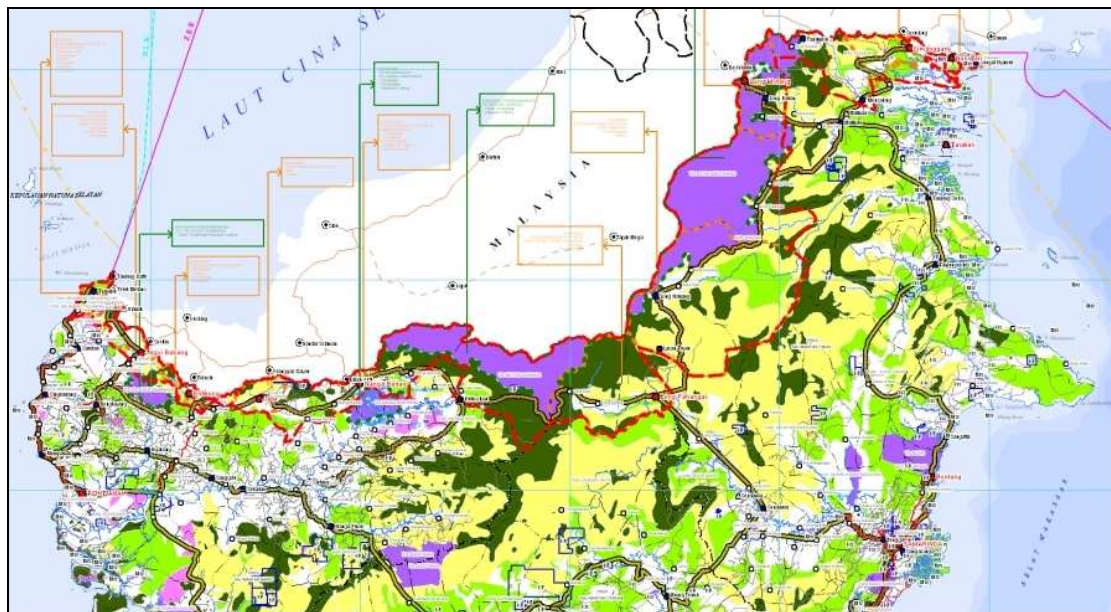
Furthermore, with around 400,000 hectares of aging smallholder plantations, it would make better sense for the Indonesian government to assist these smallholders in replanting their plasma units, rather than to focus on further expansion.

5. Beyond palm oil

5.1 The Kalimantan Spatial Plan

Apart from the continued push to expand oil palm plantations in the border area, the future of forests and local communities in the border area is also dependent on the broader development plan that the Indonesian government is presently working on. At this moment, the key document for this planning process is the draft Spatial Plan for Kalimantan, which is being compiled by Bappenas and which will ultimately be accorded by President Yudhoyono.

Figure 14. Kalimantan land use plan 2023.⁷³



Source: Badan Koordinasi Tata Ruang Nasional, 23 January 2006.

Purple = National Parks; dark green = protection forest; light green = production forest; yellow = limited production forest; pink = conversion forest; white = other, agriculture.

At the meso-level, the government will pursue strong development in 10 growth areas in the border area (see Table 7 and Figure 15). In each growth area, a number of sectors are prioritised namely logging, forest plantations, mining, agriculture, marine fishing, plantations, industry and tourism.

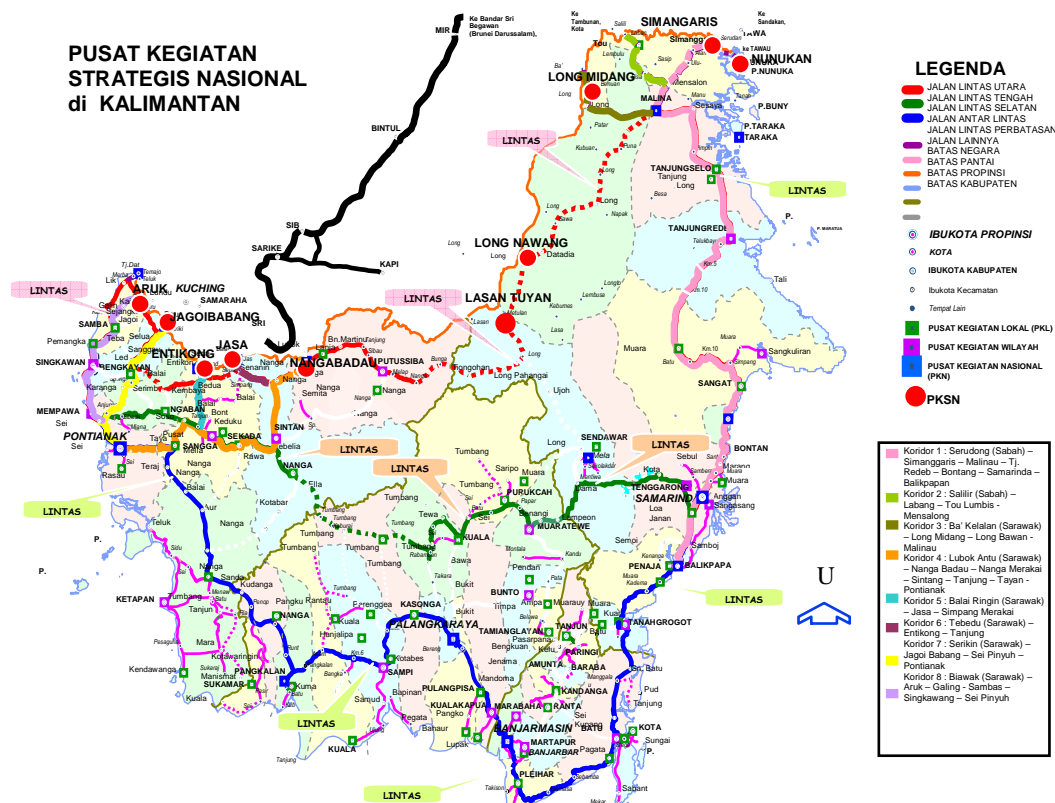
Table 7. Priority development areas and sectors in the border area. ⁷⁴

Core growth areas and district	Priority sectors								
	A	B	C	D	E	F	G	H	I
Temajok – Aruk (Sambas)	✓			✓	✓	✓	✓	✓	✓
Jagoi Babang (Bengkayang)	✓		✓			✓	✓		
Entikong (Sanggau)	✓				✓	✓	✓	✓	
Jasa (Sintang)	✓	✓	✓		✓	✓	✓		✓
Nanga Badau (Kapas Hulu)	✓		✓			✓	✓		✓
Nunukan – Sebatik (Nunukan)				✓	✓	✓	✓		✓
Simanggaris (Nunukan)		✓		✓		✓	✓		
Long Apari – Long Pahangai (West Kutai)					✓	✓	✓		✓
Long Midang (Nunukan)					✓				✓
Long Nawang (Malinau)	✓	✓							

Legend:
A = Logging; B = Forest plantations; C = Mining; D = Marine fishing; E = agriculture;
F = Agri-plantations; G = Agro-Industry; H = Industry; I = Tourism

Note: A = logging; B = forest plantations; C = mining; D = marine fishing; E = agriculture; F = agri-plantations; G = agro-industry; H = industry and I = tourism.

Figure 15. Strategic development centres in the border area (marked red). ⁷⁵



Of course, to facilitate the envisaged growth in the development areas, there is a need to link each area in an infrastructure network.

5.2 Railroads

According to some infrastructure maps, there are plans to construct a railway all the way around Borneo Island, thus including Sabah, Brunei and Sarawak. Most of the railway is planned along the coastal areas. The status of the plan is unclear. But according to Media Indonesia, the Memoranda of Understanding signed by the Chinese and Indonesian governments also involved the planned Trans Kalimantan railway network which will commence in 2006 and which has a value of US\$ 978 million.⁷⁶

5.3 Roads

It is not expected that the Trans Kalimantan railway network will have as much an impact on forests as the envisaged road networks are expected to have.

Overall, the condition of infrastructure in the border area is fair to very poor. For example, the Ministry of Forestry graded the road network linking West Kalimantan to Sarawak as follows:⁷⁷

Good condition	23,70 km
Fair condition	312,64 km
Poor condition	244,38 km
Very poor condition	203,92 km
Not yet opened	88,50 km
All roads and tracks:	872,14 km

The road system foreseen in the draft Spatial Plan includes upgrading and construction of the following 16 routes extending over 5,316 kilometres altogether:⁷⁸

A. West Kalimantan

-	<i>Northern Link</i>	716,10 km	Tanjung Harapan – until the border with East Kalimantan
-	<i>Central Link</i>	478,64 km	Sei Pinyuh – Central Kalimantan border
-	<i>Border Road I</i>	316,31 km	Pontianak – Sarawak border
-	<i>Border Road II</i>	595,20 km	Tanjung – Sarawak border
-	<i>Border Road III</i>	191,98 km	Anjungan – Sarawak border
-	<i>Border road IV</i>	264,50 km	Sei Pinyuh – Sarawak border
-	<i>Border road V</i>	293,00 km	Sintang – Sarawak border

B. East Kalimantan

-	<i>Northern Link</i>	841,30 km	Malinau – West Kalimantan border
-	<i>Central Link</i>	361,73 km	Loa Janan – Central Kalimantan border
-	<i>Southern Link</i>	1219,95 km	Central Kalimantan border – Malinau
-	<i>Border Road I</i>	35,7 km	Simanggaris – Sarawak border
-	<i>Border Road II:</i>	n.a.	Malinau – Sarawak border
-	<i>Border Road III</i>	n.a.	Long Nawang – Sabah border
-	<i>Border Road IV</i>	n.a.	Tiong Ohang- Sabah border
-	<i>Border Road V</i>	n.a.	Nunukan – Sabah border

Figure 16. The proposed road infrastructure development in Borneo⁷⁹



Source: Direktur Jenderal Pernataan Ruang, 2006.
Note: not shown is the Trans Borneo Railway

These 16 road projects have until now received limited attention from civil society. However, if constructed, these roads will have a very significant impact on the integrity of the remaining forests of Kalimantan. The construction of new roads in sensitive areas will bring about fragmentation of the area, biodiversity loss and disturbance of wildlife. More importantly, they are likely to motivate unorganised migrants (or perhaps, organized migrants) to enter the newly opened areas. If unorganised, they would be tempted to engage in illegal logging, destructive shifting cultivation and poaching. If organised, the road projects could lead to a series of large-scale plantation projects along the thousands of kilometres of roads envisaged.

Of particular concern are the Northern and Central Links. Both the Southern Link and the Central Link are of critical importance to the oil palm industry.⁸⁰ If upgraded and completed, the Central Link could facilitate a new wave of oil palm expansion along this route.

The Northern Link is of particular concern since it planned to run parallel to the southern borders of National Parks Betung Kerihun and Kayan Mentarang. These two parks owe their quality to large extent to their inaccessibility, not only within the

parks but notably also because these areas are hard to reach from any point in Kalimantan. The Northern Link is very likely to attract spontaneous migrant settlers, illegal loggers and possibly miners. Also, the government may decide to replicate the “road for timber and oil palm” model by which logging, oil palm and road construction are functionally combined, at the expense of the forest (see Box 9).

Box 9. Funding road construction with oil palm.⁸¹

In 2003, it was first announced that Sabah Forest Industries (SFI), a logging company and pulp & paper producer based in Sepitang, Sabah, would build a 100 km road linking Long Pasia village to the Kayan area near the Indonesian border. SFI would be allowed to clear the forest on either side of the road and plant oils palms in return for constructing the road. The road project is believed to be a joint venture project between SFI and Yayasan Pendidikan Pembangunan Perbatasan Kalimantan Timur (the “Foundation for Development Students in East Kalimantan”).

Conservationists objected to the plan, since the road is likely to affect the Kayan-Mentarang National Park as it would attract illegal loggers. Their protests had been widely reported in various Indonesian newspapers stressing that if the plan were to be carried out it would sacrifice 60,000 hectares of primary forest, not to mention the subsequent losses.

Conservation groups said that there was already a 15 km road linking Long Bawang in Sarawak and Ba Kelalan in Kalimantan accessible only to four-wheeled-drive vehicles. According to them, it was more logical to improve the road condition rather than opening a new road.

5.4 Non-palm oil crop development in the border area

As mentioned in paragraph 4.1, the Ministry of Agriculture and the Ministry of Forestry also consider the development of crops, other than oil palm, that would be suitable under existing local agronomic and social conditions such as, rubber, cacao, tea, coffee, pepper, Dipterocarpaceae trees and other agroforestry products. Such crops could be grown under the Build, Operate, Rehabilitate and Transfer (BORT) model proposed by the Ministry of Forestry.

Surely, the development of these “alternative” crops much better suits the needs and priorities of the Dayak communities in the border area than oil palm does. The Minister of Agriculture added that “this development of course has to also consider economic, social and environmental aspects”, which is a critical provision. If the government were to promote the cultivation of these alternative crops through the same approach as oil palm is introduced, then this is bound to create the same type of problems as those associated with oil palm. After all, it is not the oil palm itself that is the problem, but the way in which its production is organised.

Moreover, instead of introducing new cash crops, the government should consider that local communities already produce a range of cash crops (several of the products envisaged by the government, most notably rubber but also non-timber forest products such as rattan, ilipe nut, damar resin, gaharu or eaglewood, honey etc). Most communities are struggling with market access for such products (including quality control, transport, downstream processing), and this is where government support would be welcomed provided that the producers are those in control of such development process.

Appendix 1: Key government actors and their positions

Actor	Position
Susilo Bambang Yudhoyono (“SBY”)	President of Republic of Indonesia. Supportive of the border development project but acknowledges conservation concerns.
Yusef Kalla	Vice-President. Supportive. Yusuf Kalla is believed to have close relations to Tomy Winata of the Artha Graha group.
Sugiharto	Interior Minister of State Owned Companies (Menteri Negara Badan Usaha Milik Negara) and thereby responsible for the State Plantation Company, PTPN. Strong supporter. Stated in February 2006 that 1 million hectares in the border area would be converted into oil palm plantations for PTPN XIII. ⁸²
Manuel Kasiepo	Menteri Negara Percepatan Kawasan Timor Indonesia (KTI); Minister for the Speeding up of Development in Eastern Indonesia. Announced the 2 million hectare project in April 2004. Supportive.
Anton Apriantono	Minister of Agriculture (Departemen Pertanian), in principle supportive but in a letter dated 27 October 2005 from Apriantono to the Secretary of State acknowledged that only 180,000 ha land was available for oil palm in the border. The Minister agreed with WWF’s concerns over environmental issues on the border area. In February 2006. Apriantono made statement that the government should prioritise the development in abandoned land.
Malam S. Ka’ban	Minister of Forestry (Menteri Kehutanan). Opponent to development of oil palm plantations in forested land. During a recent meeting with WWF Indonesia (January 2006), Minister Ka’ban suggested that abandoned land be used for oil palm in the border area instead of forest areas.
Aburizal Bakrie	Former Coordinating Minister of Economy (Kementerian Koordinator Badan Perekonomian; MenEkui) and owner of the Bakrie and Brothers Group and former Chairman of KADIN, the Indonesian Chamber of Commerce. Took the lead in promoting the border project in China, but was moved to the State Ministry of Welfare during the Cabinet reshuffle of November 2005.
Raden Pardede	Special advisor to former Minister of Economy, Aburizal Bakrie. Believed to be supportive of the project, but also recognised some environmental concerns.
Hermanto Dardak	Director General of Spatial Planning, Department of Public Works (Perkeja Umum [PU]), supportive. His Department is currently developing the land use plan 2023 (RTR) for Kalimantan, which will incorporate Heart of Borneo as priority area not to be converted.
Bemby Uripto	Deputy for Natural Resource and the Environment, Special Ministry of National Planning, Bappenas [Badan Rencanan Pembangunan Nasional], Rationalist. Tries to balance environmental constraints with economic issues. Plans to organise an intergovernmental meeting on the issue.
H. Suwarna A. Fatah	Governor of East Kalimantan; is being investigated by the Anti-Corruption Agency (KPK) in relation to the province’s 1 million hectare oil palm plan, notably in view of his alleged involvement of the issuance of 25-30 concessions to the Surya Dumai Group. ⁸³ Supportive.

Actor	Position
H. Gusman Ja'far	Governor of West Kalimantan. Supportive.
Bupatis	Heads of District in Kapuas Hulu, Bengkayan and Nunukan are supportive. Others not known.
<i>Semi-governmental institutions, military and police</i>	
Hings Abdullah Karim	Deputy at LEMHANAS (Lembaga Ketahanan Nasional, National Security Agency). National think-tank focusing on security issues. The agency is close to the military. Supportive.
May. Jenderal (Major General) Erwin Sudjono	Panglima Komando Daerah Militer (KODAM Komando Daerah Militer, Regional Military Command), strong supporter.
TNI	Tentara Nasional Indonesia, the Indonesian Army, supportive.
KODAM	Komando Daerah Militer, Regional Military Command. Generally supportive.
KODIM	Komando Distrik Militer, District Military Command, generally supportive.
BIN	Badan Inteligens Negara, National Intelligence Agency. Actively monitoring developments in the border area.

Appendix 2: Plantation companies in the border area

Apart from the companies that have been mentioned elsewhere in this report, there are a number of Indonesian companies and Malaysian – Indonesian joint ventures who are already in the area or who are believe to have gained concessions:

A : Oil palm companies working in the West Kalimantan-Malaysia border⁸⁴			
Company	Group	Sub-district	Area
PT Anugrah Borneo Nasional		Badau	14,000
PT. Mendawa Argapura Sentosa		Empanang, Badau & Semitau	20,000
PT Indopratama Patria		Batau & Batang Lupar	20,000
PT Makmur Jaya Malindo	Multi Vest Resources	[did land survey]	20,000
PT Inma Jaya Group	Multi Vest Resources	Sepiluk, Ketungau Hulu	20,000
			94,000
Plantation companies in the West Kalimantan-Malaysia border (yet to be confirmed that these will develop oil palm)			
	Group	Sub-district	Area
PT Karya Boga Mitra			
PT Tunas Agro Lestari			
PT Borneo Katulistiwa Sawit			
PT Jago Permai Lestari			
PT Init Tunggal Dinamika			
PT Agung Mitra Perkasa			
PT Sawit Subur Sejati			
Pusat Koperasi Angkatan Darat			
KUD Usaha Bersama			
PT Mandala Sawit Utama			
PT Satria Cemerland Agrotama			
PT Tama Usaha Maju			
PT Bumi Tata Lestari			15,000
PT Karya Mufakat Lestari			
PT Sentosa Kalimantan Indah			
PT Kebun Aria			
PT Sambas Mitra			
PT Flora Fauna Lestari			

B : Oil palm companies in the border area of Sanggau, Sambas and Landak (according to Susanto, P. et al. 2005).				
No.	Name	District and sub-district	Area (Ha)	Status
1.	PT Plantana Razindo	Kapuas Hulu: Nanga Badau, Lanjak	20.000	No longer active
2.	PT Yamaker Sawit Sari	Sanggau: Sekayam	12.000	No longer active
3.	PT Rentang Nusa Gemilang	Landak: Air Besar	10.000	No longer active
4.	PT Satrindo Jaya Agro Palm (PT Yamaker Satrindo Jaya)	Sambas: Teluk Keramat	18.000	No longer active
5.	PT Usaha Malindo Jaya (PT Yamaker Malindo Jaya)	Sambas: Sejangkung	27.000	No longer active
6.	PT. Aldina	Sambas: Paloh	-	Opened up 30 ha.
7.	PT. Wilmar ex. PT Bantan	Sambas: Sejangkung	10.000	Active
8.	PT. Kaliau Gunung Perkasa	Sambas: Sejangkung	-	Licensed to open land
9.	PT. Wahana Hijau	Sambas: Sejangkung	-	Licensed to open land
10.	PT. Ceria Prima (Duta Palma group)	Bengkayang: Sanggau Ledo	8.000	Expanded by taking over PT Wawasan Kebun Nusantara
11.	PT.Global Kalimantan Mandiri	Sanggau: Noyan	23,800	Still conducting surveys
12.	PT. Syme Agro Indo	Sanggau: Noyan	-	Still conducting surveys
13.	PT. Karya Mukafat Lestari	Sanggau: Beduai	3,000	Operational since 2000.
14.	PT Sepanjang Inti Surya Utama	Sanggau	12,750	
15.	PT. Grand Priman dan Barades	Sanggau, Entikong	12,000	
16.	PT. Bumi Tata Lestari	Sanggau	15,000	
Source: Dinas Perkebunan Provinsi Kalimantan Barat 2003 and field survey August – September 2005.				

C : Oil palm companies in the border area of Kapuas Hulu and Sintang (according to Susanto, P. et al. 2005).				
KAPUAS HULU DISTRICT				
Company	Sub-district	Area (ha)	Commodity	Status
PT. Indopratama Patria	Badau	11.000	Oil palm	All newly allocated land
	Batang Lupar	9.000	Oil palm	
PT. Anugrah Borneo Nasional (ABN)	Badau	14.000	Oil palm	
	Puring Kencana	6.000	Oil palm	
PT. Indopratama Punggawa	Batang Lupar	20.000	Oil palm	
PT. Rimba Utara	Embaloh Hulu	15.000	Rubber	
PT. Mendawa Argapura Sentosa		Empanang	14.000	Oil palm
SINTANG DISTRICT				
PT. Bumi Hijau Mandiri	Ketungau Tengah	12.000	Oil palm	Location permit awarded by BPN
PT. Kurnia Cakra Sakti	Ketungau Hulu	17.700	Oil palm	Extension process with dept. of agriculture
	Ketungau Hulu dan Hilir			
PT. Sempurna Kusuma	Ketungau Hulu dan Hilir	12.800	Oil palm	Warning issued
<i>Multivest Group:</i>	Ketungau Hulu	15.000	Oil palm	Expansion 12.000 ha
PT. Inma Jaya Group				
PT. Inma Makmur Lestari	Ketungau Hulu	15.000	Oil palm	
PT. Makmur Jaya Malindo	Ketungau Tengah	15.000	Oil palm	Informasi lahan Bupati,IUP,ijin lokasi
PT. Malindo Jaya Group	Ketungau Hulu dan tengah	15.000	Oil palm	Informasi lahan Bupati,IUP,ijin lokasi
PT. Sintang Sawit Lestari	Ketungau Tengah dan Hulu	15.000	Oil palm	Informasi lahan Bupati,IUP,ijin lokasi
Sources:				
- Data potensi lahan perkebunan (PKL wil. Perbatasan Kapuas Hulu s/d juni 2005 Subdin Perkebunan				
- Perkembangan perusahaan besar swasta (PBS/PBSN) yang beroperasi di Sintang s/d Maret 2005 Subdin Perkebunan				

Other oil palm companies working in the border area include dozens of subsidiaries under the Surya Dumai Group in Nunukan, PT Malindo Indah Makmur, PT. Nunukan Jaya Lestari in Simenggaris [Fima Corp./FCB Management from Malaysia] (20,000 ha); PT Ledo Lestari, Bengkayang (20,000 ha), PT Wirata Daya Bangun, Bengkayan (16,000 ha), PT Ichtiar Gusti Pudi, Landak (20,449 ha), PT Makmur Jaya, Sintang (20,000 ha), PT Citra Khatulistiwa Perksasa Pontianak (20,000 ha) and PT Bonti Permai Jaya (80,000 ha).⁸⁵

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8 through Decision Letter SK nor. 376/99 of 27 May 1999. Perum Perhutani falls under the Ministry of BUMN, (Badan Usaha Milik Negera) the Ministry for state-owned companies such as Pertamina, PT Perkebunan Nusantara (PTPN), Telkom and Garuda Airways.

⁹ Analysis Kebijakan Perbatasan Indonesia dalam Permasalahan Sosial, Budaya dan Ekonomi Wilayah Perbatasan, PT xx (unknown) together with Departemen Jenderal Departemen Dalam Negeri Republik Indonesia, December 2004.

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51 The following physical criteria commonly determine the suitability for oil palm:

- Altitude from 0 to 400 meters above sea level;
- Slope up to 25%;
- Well drained soils;
- Appropriate soil types (podsol, latosol, regosol, andosol);

More than 2,500 mm of rainfall annually
Departemen Pertanian, Direktorat Jenderal Perkebunan. Kebijakan Pengembangan Kelapa Sawit kaitannya dengan Pengembangan Kawasan Perbatasan. Disampaikan pada acara: Seminar Rencana Pengembangan Perkebunan Kelapa Sawit di Perbatasan Kalimantan – Malaysia, Jakarta, 23 Januari 2006.

52 World's largest oil palm plantation could spell disaster for upland forests of Indonesian Borneo. WWF Indonesia press release. 12 August 2005.

53 Departemen Pertanian, Direktorat Jenderal Perkebunan. Kebijakan Pengembangan Kelapa Sawit kaitannya dengan Pengembangan Kawasan Perbatasan. Disampaikan pada acara: Seminar Rencana Pengembangan Perkebunan Kelapa Sawit di Perbatasan Kalimantan – Malaysia, Jakarta, 23 Januari 2006.

⁵⁴ Pernataan Ruang dan Infrastruktur Kawasan Perbatasan Kalimantan. Direktur Jenderal Penataan Ruang Seminar Pengembangan Perkebunan Kelapa Sawit Yang Berwawasan Lingkungan. Jakarta, 23 Januari 2006.

55 Pemerintah tidak keluarkan Izin Konversi Kawasan Hutan Lestari, Kompas, 11 August 2005.

56 The Development Plantation Plan on the Crossing Border between Indonesia – Malaysia in Kalimantan. Letter from Minister Ariyantono to The Secretary of State of Republic of Indonesia, 27 October 2005.

57 The Development Plantation Plan on the Crossing Border between Indonesia – Malaysia in Kalimantan. Letter from Minister Ariyantono to The Secretary of State of Republic of Indonesia, 27 October 2005.

58 Penembangan Ekonomi Kawasan Perbatasan Kalimantan (Kawasan Perbatasan Kalimantan – Sarawak – Sabah: KASABA). Kantor Menteri Koordinator Perekonomian dengan bahan dan dukungan dari Kantor Koordinasi Politik dan Keamanan, Departemen Dalam Negeri, Departemen Luar Negeri, Departemen Perkerjaan Umum, Departement Pertanian, Departemen Kehutanan, Badan Perencanaan Pembangunan Nasional, Kementerian Negara Daerah Tertinggal, Kementerian Negara Lingkungan Hidup, Badan Pertanahan Nasional dan Badan Koordinasi Tata Ruang Nasional. Dep-II/Bappenas, 23 Januari 2006.

59 Menhut Menentang Pembukaan Sawit di Perbatasan, KalTim Tribune Online, 11 December 2005.;

60 Wilayah Perbatasan Kalimantan. Indonesia – Malaysia. Presentation by the Ministry of Forestry at the Bappenas seminar of 23 January 2006.

61 Heart of Borneo: Conservation vision gives hope to treasure island. WWF International press release. 28 March 2006.

62 Biofuel to Drive Indonesian Palm Oil Expansion. Reuters, 27 January 2006.

63 Pernataan Ruang dan Infrastruktur Kawasan Perbatasan Kalimantan. Direktur Jenderal Penataan Ruang Seminar Pengembangan Perkebunan Kelapa Sawit Yang Berwawasan Lingkungan. Jakarta, 23 Januari 2006.

64 Perbatasan RI-Malaysia jadi perkebunan sawit. Detikom, 5 February 2006.

Also: Meneg Sugiharto: Kawasan Perbatasan Jadi Perkebunan Sawit, Suara, Pembaruan Daily. 6 February 2006.

65 Development Plantation Plan on the Border Area Indonesia – Malaysia in Kalimantan. Letter from Minister Ka'ban to the Department of Agriculture. 11 October 2005.

⁶⁶ Without Remedy: Human Rights Abuse and Indonesia's Pulp and Paper Industry Reform (www.hrw.org); Casson, A. 2001. Decentralisation of Policies Affecting Forests and Estate Crops in Kutai Barat District, East Kalimantan. Case Studies on Decentralisation and Forests in Indonesia. Case study 4. Center for International Forestry Research. Bogor. An excellent illustration is given by Casson who quoted the Head of East Kalimantan's Provincial Legislative Assembly (*Dewan Perwakilan Rakyat Daerah* or DPRD), as publicly stating that provincial and district governments would no longer allow the central government to limit their ability to establish and promote further oil palm developments in the area. If the government continues to insist that they will not give out forest release permits to companies or communities in East Kalimantan, then the Kutai government is ready to seize them. He then went on to say that carrying out autonomy in the current era of globalization is a great opportunity for East Kalimantan to move forward and open one million hectares of forest land for plantations, be it oil palm or other crops. In order to open one million hectares for plantation development, the Assistant Head of the East Kalimantan DPRD said that the provincial and district governments would seize control of the forest release permits in order to facilitate development. He then went on to say that they would legitimise this process by issuing their own legislation on the release of forest land.

67 Cegah Konversi Hutan Perbatasan Bernilai Rp. 237.8 Trillion. Greenomics Press Release, 29 November 2005.

68 Dire Effects on the Environs. Border Plantation Project. Letters to the Editor (letter by S.M. Moh. Idris, Sahabat Alam Malaysia). Monday 20 February 2006. New Straits Times.

69 January 9th, 2006 / Tradewinds to expand Indonesian landbank
Source: Business Times Online (Malaysia), Zaidi Isham Ismail

70 The Oil Palm Question. Lesley Potter, Human Geography, Research School of Pacific and Asian Studies, Australian National University. Paper presented at the Heart of Borneo Scientific Conference, Leiden, April 25-28, 2005; Yosef Ardi. The benefactors of 1.8 million hectare plantation project. Indonesia Today Blog. March 20, 2006.

71 Walhi Perkebunan Sawit, Membangun Bencana di Bumi Borneo. Siaran pers, 22 Oktober 2005; Dinas Perkebunan Provinsi Kalimantan Barat (2004); Letter from the Ministry of Forestry to the Ministry of Agriculture. Oil Palm Plantations in Kalimantan Border Area. Ref No: S.476/Menhut-IV/2005. 16 August 2005.; Yosef Ardi. The benefactors of 1.8 million hectare plantation project. Indonesia Today Blog. March 20, 2006.

72 22 November 2005; Forum of Concerned Communities in West Kalimantan = Forum Peduli Masyarakat Perbatasan Kalbar, National Network to Save the Heart of Borneo = Jaringan Nasional Untuk Penyelamat Jantung Borneo.

73 Pernataan Ruang dan Infrastruktur Kawasan Perbatasan Kalimantan. Direktur Jenderal Penataan Ruang Seminar Pengembangan Perkebunan Kelapa Sawit Yang Berwawasan Lingkungan. Jakarta, 23 Januari 2006.

74 Kebijakan Spatial dan Strategi Penembangan Kawasan Perbatasan Kalimantan-Sarawak-Sabah, Directorate-General of Spatial Planning, Ministry of Public Works, 5 July 2005.

75 Pernataan Ruang dan Infrastruktur Kawasan Perbatasan Kalimantan. Direktur Jenderal Penataan Ruang Seminar Pengembangan Perkebunan Kelapa Sawit Yang Berwawasan Lingkungan. Jakarta, 23 Januari 2006.

76 Kunjungan Presiden ke China: China Investasi US\$7,5 Miliar. Media Indonesia, June 30, 2005.

⁷⁷ Wilayah Perbatasan Kalimantan. Indonesia – Malaysia. Presentation by the Ministry of Forestry at the Bappenas seminar of 23 January 2006.

78 Pernataan Ruang dan Infrastruktur Kawasan Perbatasan Kalimantan. Direktur Jenderal Penataan Ruang Seminar Pengembangan Perkebunan Kelapa Sawit Yang Berwawasan Lingkungan. Jakarta, 23 Januari 2006.

79 Pernataan Ruang dan Infrastruktur Kawasan Perbatasan Kalimantan. Direktur Jenderal Penataan Ruang Seminar Pengembangan Perkebunan Kelapa Sawit Yang Berwawasan Lingkungan. Jakarta, 23 Januari 2006.

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82 Perbatasan RI-Malaysia jadi perkebunan sawit. Detikom, 5 February 2006. Also: Menneg Sugiharto: Kawasan Perbatasan Jadi Perkebunan Sawit, Suara Pembaruan Daily, 6 February 2006.

83 Gubernur Kalimantan Timur Diperiksa KPK. Tempo Interaktif. 21 Oktober 2005.

84 Nafed website (<http://www.nafed.go.id/news/index.php?artc=1073>).

85 Analisis Kebijakan Perbatasan Indonesia dalam Permasalahan Sosial, Budaya dan Ekonomi Wilayah Perbatasan, PT xx (unknown) together with Departemen Jenderal Departemen Dalam Negeri Republik Indonesia, December 2004.