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## [Indonesia: Pulp and paper industry menace in South Kalimantan](#)

The growth of the pulp and paper sector in Indonesia since the late '80s has been based on the clearcutting of vast area of forests --estimated in at least 800,000 hectares a year-- the spread of tree monocultures, the violation of indigenous peoples' land rights, and the granting of official subsidies to the companies, which often hide corrupt practices (see WRM Bulletin 41).

In spite of its proven ecological, social and even economic unsustainability, the Indonesian pulp and paper sector continues to expand. The construction of a pulp plant in South Kalimantan planned for June 2001 is provoking concern among environmental organizations. The 600,000 tonne/year plant at Sungai Danau in the Kotabaru District, which would be the first in the region, is part of an official plan to attract various industries and foreign investment to the area. The South Kalimantan local government, that is enthusiastic about an industrialisation programme --which also includes mining and a new cement plant-- is backing the initiative. Transnational capitals are ready to make the investment. A millionaire joint venture has been formed between Indonesian timber company PT Marga Buana Bumi Mulia and a consortium of foreign investors from eight countries, which have not yet been completely identified. According to the national newspaper Kompas, the Holland-based company Akzo Nobel is involved in the project. A group of German companies, contacted by the South Kalimantan authorities last year during the Expo 2000 in Hannover, are supposedly also taking part in the initiative. PT Marga Buana Bumi Mulia is owned by Probosutedjo, step brother of former dictator Suharto, who is currently under investigation for the collapse of a bank he was heavily involved in, and has been severely questioned for the misuse of about US\$15.5 million he received from the Reforestation Fund to a 70,000 hectare tree plantation in Menara Hutan Buana. Suharto's times seem not to be completely over regarding corruption in Indonesia.

Raw material for the projected pulp mill will be obtained from 240,000 hectares of plantations of acacia, pines, and albizia, 80,000 of which are owned by Probosutedjo. However it is feared that, as usually happens, timber from natural forests in East and Central Kalimantan will also be used, since most forests in South Kalimantan have already been cut down. The promise of employment and prosperity for local communities could not be absent. A local official is reported to have made the absurd claim that the plant will employ 20,000 people in the construction phase and 200,000 workers once operational. But as a matter of fact no-one knows exactly what will happen with the new plant in relation to jobs. It has not been revealed who are funding the initiative and who is responsible for the consultancy work, but the German Export Credit Agency is known to be involved.

Even though a spokesperson of the local Forestry Department dismissed NGOs' fears that the new plant in South Kalimantan would generate the same kind of problems as the Indorayon plant in North Sumatra, according to the history of this industry in Indonesia it is reasonable to expect that negative environmental and social impacts will occur. Concerned NGOs are preparing a national workshop on "Export Credit Agencies and the pulp and paper industry in Indonesia", to take place next April. Local people and NGOs of regions with pulp and paper mills will be present. The event is considered a strategic meeting to fight the pulp and paper industry and in particular to stop the new project.

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