

Pulp Fact and Friction:

An Indonesian Pulp and Paper Company's Sustainable Forest Management Programs and NGO Interactions

by Linda Kramme, MF 2006

Introduction

During the past two decades, world-wide attention has been focused on threats to tropical forests and local communities in developing countries. As a result, many industrial forest companies operating in those countries have been increasingly pressured by non-governmental organizations (NGOs) to prove that they are practicing sustainable forest management.

One such company is Asia Pacific Resources International Holdings Limited (APRIL), one of Asia's largest pulp and paper companies, with primary operations on the Indonesian island of Sumatra. APRIL is actively promoting its commitments to sustainable forest management and is engaged in dialogues with both local and international NGOs.

I spent the summer of 2005 based at APRIL's mill site in the Riau Province of Sumatra, studying the company's sustainable forest management practices and community programs. I conducted interviews with APRIL staff, NGOs, and local communities and visited APRIL plantations and community development projects. My interest was to explore whether and how NGO pressures and customer concerns had influenced APRIL's commitments to sustainable forest management.

Linda Kramme has a degree in Geography from Bucknell University. She has worked on land conservation and stewardship projects for The Nature Conservancy in Maryland, Washington State, and Indonesian Borneo. Her goal upon graduation is to foster common ground between conservation organizations, industry, local communities, and governments toward sustainable forestry.

Background

Indonesia's tropical forests

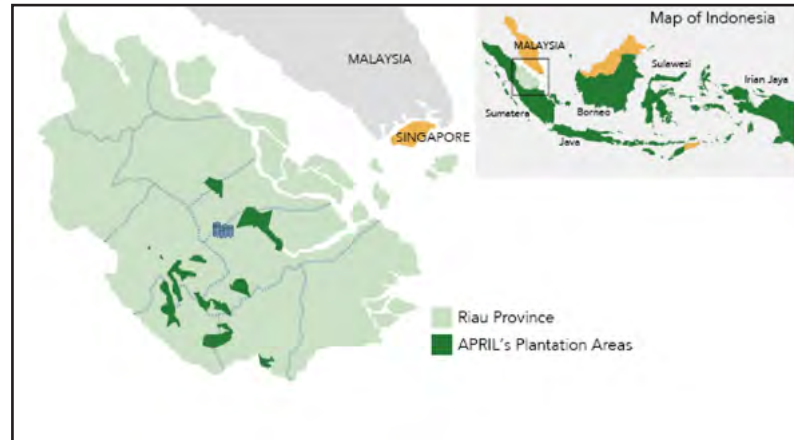
Indonesia has some of the most biologically rich forests on earth, providing habitat for rare species such as the orangutan, the Sumatran tiger, and the Sumatran elephant (WWF 2003). But Indonesia's forests are also among the most threatened; between 1985 and 1997, the rate of deforestation in Indonesia doubled, and 20 million hectares of natural forest were lost. Experts have predicted that if these rates continue, intact tropical lowland forests in most of Indonesia may be completely lost by 2012 (Holmes 2002). Unsustainable and illegal logging practices, forest conversion, forest fires, and human settlement all have contributed to the decline.

Over the past two decades, there has been a phenomenal rise in plantation forestry in Indonesia, largely through conversion of natural forests (Barr 2001). Currently, more than 2 million hectares across Indonesia are in plantation forests and 6.2 million hectares are targeted for plantation development (Nawir et al. 2003). Many plantations overlap with indigenous land claims or have had other detrimental impacts on local communities (Nawir et al. 2003).

Sustainable forest management and forest certification in Indonesia

The term "sustainable forest management" (SFM) is commonly used by environmental organizations, governments, and funding agencies to describe the use of forests in a way that maintains their ecological, economic, and social functions, for present and future generations (UNFF 2005). The term is being

Figure 1. Location of APRIL's primary operations



Source: APRIL 2004 Sustainability Report

used increasingly by industrial forest companies that are trying to market their practices as environmentally sound.

One way companies can prove their commitment to SFM is by pursuing forest certification. Forest certification was introduced in the early 1990s to address concerns about deforestation, especially in tropical regions (Rametsteiner and Simula 2003). Forest certification is a “non-state market-driven governance system” (Cashore et al. 2004), whereby forest managers can demonstrate their commitment to SFM through third-party independent audits. The most widely used certification criteria have been developed by the Forest Stewardship Council (FSC 2004). Currently more than 183 million hectares of forests are certified around the world under various systems; however, only two percent of these certified forests are located in the Asia-Pacific region, which includes Indonesia (Nussbaum and Simula 2004).

In 1998, the Indonesian government established its own national certification program known as Lembaga Ekolabel Indonesia (LEI). Although LEI standards are more general in some aspects than FSC criteria, there is a significant overlap in the systems (Meidinger et al. 2003). In Indonesia, no pulp plantations are FSC certified (Colchester et al. 2003). FSC will not certify plantations that were converted from natural forest areas after 1994—a fact that in-

fluences many Indonesian Pulp and Paper companies. LEI is currently evaluating one company under its plantation certification system. That company is APRIL.

Asia Pacific Resources International Holdings Limited

Asia Pacific Resources International Holdings Limited (APRIL) is one of the largest pulp and plantation companies in Indonesia. Headquartered in Singapore, the company's primary operations are located in the Riau Province of Sumatra (Figure 1). In 1995, APRIL began operating one of the world's largest pulp mills, under a subsidiary known as Riaupulp, with a production capacity of 2 million tons per year (Matthew and van Gelder 2002) (Photograph 1). The company began paper production in 1998, under a subsidiary known as Riaupaper, and now produces 350,000 tons of paper per year (APRIL 2005a). Most of APRIL's pulp and paper is exported to Asia, but the company is broadening its customer base in Europe, Australia, India, and the Middle East (APRIL 2005a).

As of December 2004, APRIL had planted approximately 230,000 hectares of pulp plantations in Riau Province, primarily *Acacia mangium* (black wattle) on mineral soils and *Acacia crassicarpa* (northern wattle) on drained peatlands. APRIL is expanding its plantation areas at a rate of 35,000 to 40,000 hectares per



Photograph 1. APRIL's pulp and paper mill
Photograph by L. Kramme

year, with a goal of 420,000 hectares planted in Riau by 2012 (APRIL staff, pers. comm.). Currently, one-half of the wood that supplies APRIL's mill is plantation *Acacia*, and the other one-half consists of mixed hardwoods harvested from what APRIL describes as secondary or degraded forest (APRIL 2004).

Evolution of APRIL's Sustainable Forest Management Programs

NGO criticisms and market pressures

Shortly after APRIL initiated its Riau operations, local and international NGOs began criticizing the company. In the mid-1990's, the World Rainforest Movement published *Pulping the South* (Carrere and Lohmann 1996), which accused APRIL of widespread forest destruction and human rights violations. In 2002, the UK-based Friends of the Earth published a report entitled, "APRIL Fools: The forest destruction, social conflict and financial crisis of Asia Pacific Resources International Holdings Limited" (Matthew and van Gelder 2002). This report identified UK paper merchants that were buying APRIL pulp. Later that year, one of the UK's largest paper merchant groups that was targeted in the report announced that it would no longer purchase Indonesian paper until sustainable sourcing and legality could be independently verified (FOE 2003).

In 2002, World Wide Fund for Nature (WWF) also brought significant media criticism to APRIL after the company began building a road through the Tesso Nilo forest, one of WWF's highest conservation priorities. The Tesso Nilo forest covers almost 200,000 hectares in Riau province, representing the largest intact rain forest remaining on the island of Sumatra and one of the most biologically diverse forests on the earth (WWF 2001). WWF was able to convince CNN, the media network, to run several stories about what WWF described as APRIL's imminent threats to one of Sumatra's best tiger and elephant habitats (CNN 2002) (Photograph 5). In response to this negative publicity, some of APRIL's international customers terminated their contracts; others challenged APRIL to improve its practices (APRIL staff, pers. comm.).

APRIL response

On the heels of the CNN stories, APRIL agreed to a moratorium on cutting in the Tesso Nilo forest. In 2003, APRIL and WWF formed a joint task force with the local government and the Ministry of Forestry to address illegal logging in the Tesso Nilo area (APRIL 2004). Since then, APRIL and WWF have met regularly, sometimes clashing, but more often having constructive dialogue. APRIL has also engaged in discussions with other local NGOs

Photograph 2. Harvesting operation on APRIL plantation
 Photograph by L. Kramme



in Riau province, including Jikalahari, a consortium of 28 local NGOs, Hakiki, an environmental and social advocacy group, and the organization Yayasan Riau Mandiri, which is especially concerned about the human health impacts of APRIL's operations.

APRIL's Current "Sustainability Components" (APRIL 2004)

Wood Supply: APRIL has committed to source nine million tons of wood from plantations and community fiber farms by 2009, phasing out its use of mixed hardwoods from natural forests to meet the production capacity of its Riau mill (Photograph 2).¹

Social Contribution: APRIL states that 100,000 people derive their income from the company's operations. The company spends \$4 million annually on community empowerment programs, including agricultural and vocational training (Photograph 3), social infrastructure, and business loan programs (APRIL 2004).

Conflict Resolution: APRIL has a detailed land claims resolution process as part of its "Code of Best Practices". The company has made this system open to independent audits.

Environmental Responsibility: APRIL sets aside 20% of its total plantation areas for conservation. The company's Riau mill and plantations have achieved ISO 14001 certification.² APRIL

has an independently audited system to ensure that Acacia and mixed hardwood species are separated for processing. The company recently committed to not harvesting any wood from "high conservation value forest" areas, as defined under FSC guidelines, in plantations developed after January 2005 (APRIL 2005b).

Certification: APRIL is pursuing LEI certification of its plantations; the company has passed the second phase of review, and will likely become Indonesia's first pulp plantation certified under LEI's Sustainable Forest Plantation certification system.

Continuing Collaborations

Photograph 3. A woman tending *Acacia* seedlings in APRIL nursery
 Photograph by L. Kramme



In May 2004, APRIL received a “Community Empowerment Award” from President Megawati Sukarnoputri from its community fiber farm program (APRIL 2004). In 2004, the company’s community programs were featured on a UK broadcast entitled “The Business of Development” (World Television/UNDP 2004). APRIL’s sales in Europe and the U.S. have been growing on the heels of such positive publicity (APRIL staff, pers. comm.).

During my summer research, I visited a local community that is implementing an integrated organic farming system and cattle raising project with support from APRIL. Villagers I spoke with confirmed that APRIL’s assistance has allowed them to pursue farming as an alternative and as a more stable livelihood than illegal logging.

APRIL and WWF are jointly lobbying the Indonesian government to designate an additional area of the Tesso Nilo forest as an elephant conservation area (APRIL 2004). In one of APRIL’s plantation sectors abutting the park, APRIL recently allowed WWF to build a facility on one of APRIL’s plantations to house its “Elephant Flying Squad”—trained elephants

that WWF uses to discourage wild elephants from leaving the park and raiding community gardens (WWF staff, pers. comm.) (Photograph 4).

Continuing Conflicts, Criticisms, and Challenges

Most international and local NGO representatives I interviewed agreed that APRIL has improved its environmental and social responsibility in recent years, more so than its largest competitor in the region. However, NGOs continue to criticize the company in three primary areas.

First, NGOs argue that APRIL’s production and plantation expansion goals are unsustainable. They accuse APRIL of “greenwashing” its broader destructive forest practices. They urge APRIL to stop converting natural forests, especially peatlands, to plantations. The APRIL staff I interviewed counter that their company’s responsible management of the area, under a legal government permit, is much better than the alternative, which is to leave land in the hands of the corrupt government, illegal loggers, or unscrupulous companies (APRIL staff, pers. comm.). Based on my



Photograph 4. WWF “Elephant Flying Squad” on patrol
Photograph by L. Kramme

Photograph 5. The Tesso Nilo forest is home to the endangered Sumatran tiger
 Source: Sumatran Tiger Conservation Program



experience in Riau, I agree that government land protection is woefully lacking and that APRIL is a better manager than other companies in the region. However, I share the concern of NGOs that the company's long-term production goals for Riau are unsustainable, especially on peatlands.

Secondly, some NGOs criticize APRIL for not doing more to combat illegal logging, saying that although APRIL has improved its procedures to ensure that trucks entering its facility have necessary permits, too often those permits are invalid or the trees are not from licensed area listed on the permit (Eyes on the Forest 2005). Based on my interviews and observations, I believe that APRIL staff and upper management are committed to limiting illegal logging and that the company has done much more to limit it than competing companies. APRIL staff emphasize that their "mixed hardwood supply chain control system," which ensures that no illegal logs enter the mill supply, has successfully passed independent audits with WWF serving as an observer (APRIL staff, pers. comm.). What seems essential is for the government to help communities find alternative income sources and to reduce the corruption that continues to make illegal log-

ging so prevalent.

Third, some NGOs argue that APRIL must further improve its community relations and land claim resolution process. They described instances where APRIL had neglected to provide basic infrastructure improvements to some communities despite heavily impacting them and that significant conflicts ensued (local NGO staff, pers. comm.). Other groups urge APRIL to pursue more fiber farm partnerships with communities to plant degraded lands (local NGO staff, pers. comm.). However, some local community members with whom I spoke indicated that they had benefited significantly from APRIL's assistance. APRIL staff report that the company regularly builds schools, mosques, and medical facilities in neighboring villages, but villagers are often dissatisfied with the amount of assistance (APRIL staff, pers. comm.). APRIL staff members emphasize the company's commitment to resolving claims in a fair and transparent manner, following its Code of Best Practices (APRIL staff, pers. comm.). In addition, company officials note that all forest land in Indonesia is government-owned and many community conflicts arise because the government issues plantation permits to companies

without first resolving land claims and delineating village areas (APRIL staff, pers. comm.).

Conclusion

This study indicates that despite the vastly different missions and perspectives of industrial forest companies and NGOs in Indonesia, company-NGO partnerships can be mutually beneficial. A combination of friction and collaboration between them can yield benefits for companies, communities, and conservation. For APRIL, NGO pressures have led to improved company practices; this has led to increased sales in the global “north”. For NGOs, both pressuring and partnering with APRIL has yielded significant conservation and social improvements in Riau and raised global awareness of the urgent conservation needs in Sumatra. For such benefits to continue, maintaining this kind of healthy friction will likely be necessary.

APRIL's President, A.J. Devanesan, has stated: “For a company to be sustainable, anything it does has to be good for the people, good for the country, and good business. If you don't make money, you cannot do anything else” (World Television/UNDP 2004). This is a reality facing any business and one that conservationists must remember. Company-NGO partnerships should be considered as just one aspect of a larger conservation strategy needed to protect Indonesia's rapidly dwindling tropical forests and the species and communities that depend on them.

Acknowledgements

I am grateful to Carol Carpenter, Mark Ashton, and Amity Doolittle for helping me focus my research topic. Special thanks to Gary Dunning for encouraging me to pursue this project, and facilitating my contact with APRIL. I am grateful to the Charles Kao Fund, Coca-Cola World Fund at Yale, and the Tropical Resources Institute at Yale University, whose generous funding made this

research possible. Finally, I thank APRIL staff, especially Jouko Virta, for allowing me to observe so many facets of APRIL's operations.

Endnotes

- 1 APRIL staff clarify that as a growth-oriented company, APRIL intends to continue establishing sustainably managed plantations for other markets; this may include converting secondary natural forests or degraded forest lands, mostly in Indonesia, to plantations, using mixed hardwoods within as “bridging raw material” (APRIL staff, pers. comm).
- 2 ISO 14001 is a set of standards developed by the International Standards Organisation. The standards specify requirements of an environmental management system that companies can follow to minimize harmful effects on the environment. A company that complies with ISO 14001 can obtain a certificate issued by an independent auditing body that verifies such a system is in place. Source: www.iso.org

References

- Asia Pacific Resources International Ltd (APRIL). 2005a. *Sustainable Forestry Environment*. <http://www.aprilasia.com/environment_sustainable.html>. Accessed April 3, 2005.
- _____. 2005b. *APRIL's Commitment to Sustainability and the Protection of High Conservation Value Forests*. Position Statement by A.J. Devanesan, APRIL President, 29th September 2005. Asia Pacific Resources International Holdings Limited, Corporate Information. Singapore.
- _____. 2004. *2004 Sustainability Report*. Asia Pacific Resources International Holdings Limited, Corporate Information. Singapore.
- Barr, C. 2001. *Political Economy of Fiber & Finance in Indonesia's Pulp & Paper Industries - Banking on Sustainability: Structural Adjustment and Forestry Reform in Post-Suharto Indonesia*. Washington DC: CIFOR and WWF's Macroeconomics Program Office.
- CNN (Cable News Network). 2002. *Sumatran*

- Forests Face Crisis, Says WWF.* <<http://archives.cnn.com/2002/WORLD/europe/06/18/sumatra.glb/index.html>>. Accessed November 30, 2005.
- Carrere, R. and L. Lohmann. 1996. *Pulping the South: Industrial Tree Plantations and the World Paper Economy*. World Rainforest Movement & Zed Books Ltd.
- Cashore, B., G. Auld, and D. Newsom. 2004. *Governing Through Markets: Forest Certification and the Emergence of Non-State Authority*. New Haven: Yale University Press.
- Colchester, M., M. Sirait, and B. Wijardo. 2003. *The Application of FSC Principles 2 & 3 in Indonesia: Obstacles and Possibilities*. WALHI, AMAN, Rainforest Foundation
- Eyes on the Forest. 2005. *APRIL's New Road Threatens Natural Forest in Kampar Peninsula*. EOF News 27 May 2005. <<http://www.eyeson-theforest.or.id>>. Accessed August 30, 2005.
- FSC (Forest Stewardship Council). 2004. *FSC Principles and Criteria of Forest Stewardship*. FSC reference code: FSC-STD-01-001. Forest Stewardship Council.
- FOE (Friends of the Earth). 2003. "UK Paper Companies Supporting Indonesian Rainforest Destruction." FOE Press Release, 10 February 2003. <http://www.foe.co.uk/resource/press_releases/uk_paper_companies_support.html>. Accessed December 3, 2005.
- Holmes, D. 2002. *Indonesia: Where have all the forests gone?* World Bank Discussion Paper. Environmental and Social Development, South Asia and the Pacific Region. Washington, D.C.: The World Bank.
- Matthew, E. and J.W. van Gelder. 2002. *Paper Tiger, Hidden Dragons 2: APRIL Fools: The Forest Destruction, Social Conflict and Financial Crisis of Asia Pacific Resources International Holdings Ltd (APRIL), and the Role of Financial Institutions and Paper Merchants*. London: Friends of the Earth.
- Meidinger, E., C. Elliott, G. Oesten. 2003. *The Social and Political Dimensions of Forest Certification*. Remagen-Oberwinter: Forstbuch.
- Nawir, A., L. Santoso, and I. Mudhofar. 2003. *Towards Mutually-beneficial Company-community Partnerships in Timber Plantation: Lessons Learnt from Indonesia*. CIFOR Working Paper No. 26. Bogor, Indonesia: Center for International Forestry Research.
- Nussbaum, R. and M. Simula. 2004. *Forest Certification: A Review of Impacts and Assessment Frameworks*. Commissioned Paper for The Forests Dialogue Certification Meeting, Maidenhead, England, October 19-21, 2004.
- Rametsteiner, E. and M. Simula. 2003. *Forest Certification – An Instrument to Promote Sustainable Forest Management?* *Journal of Environmental Management* 67 (1) 87-98.
- UNFF (United Nations Forum on Forests). 2005. *What is Sustainable Forest Management?* <<http://www.un.org/esa/forests/faq.html#sfm>>. Accessed November 15, 2005.
- World Television and UNDP (United Nations Development Programme). 2004. *The Business of Development: Corporate Social Responsibility in Developing Countries*. CNBC Europe Series, Program 8. Sponsored by UN Development Programme, Prince of Wales International Business Leaders Forum, and International Chamber of Commerce.
- WWF (World Wide Fund for Nature). 2001. *Logging Activities and Forest Conversion in the Tesso Nilo Forest Complex, Riau, Sumatra, Indonesia – AREAS Riau Project*, December 2001. Jakarta: WWF-Indonesia.
- WWF (World Wide Fund for Nature). 2003. "Elephant Forests on Sale: Rainforest Loss in the Sumatran Tesso Nilo Region and the Role of European Banks and Markets."