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**RESEARCH ARTICLE**

## Regulatory Capture by Corporations, Liberalization of Industrial Forest Sector and Deforestation in Indonesia

Edriana Noerdin<sup>1</sup> ✉ and Chusnul Mar'iyah<sup>2</sup>

<sup>1</sup>Doctoral Candidate in Political Science, University of Indonesia; Research Director At Women Research Institute, Indonesia

<sup>2</sup>Lecturer in Political Science, University of Indonesia, Indonesia

**Corresponding Author:** Edriana Noerdin, **E-mail:** [Edriana841@gmail.com](mailto:Edriana841@gmail.com)

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**ABSTRACT**

This study was motivated by the proliferation of forest management businesses for industrial interests. The issuance of the Industrial Plantation Forest policy has benefited pulp and paper corporations, which can be observed from both the rapidly increasing amount of production and the area used under corporate land management, which has even exceeded the amount of land used as regulated by existing regulations. There were three problems that this study seeks to address. Firstly, how had the Industrial Plantation Forest policies during the administrations of President Susilo Bambang Yudhoyono and Joko Widodo impacted P.T. Riau Andalan Pulp and Paper and local communities. Secondly, in what ways the policy had caused deforestation, especially on peatlands. Thirdly, how had the state, as the policy maker, maintained the social life of the communities to reduce conflicts that would disrupt production, particularly in Riau. This study shows that the industrial plantation forest policies had benefited pulp and paper corporations, that rely on wood as raw materials, by providing various facilities and subsidies from the government. Susilo Bambang Yudhoyono's administration issued a lot more policies that benefited corporations than Joko Widodo's administration. Meanwhile, Joko Widodo in its first period administration attempted to make amendment by making a moratorium policy that temporarily suspended the issuance of new forest and land management permits. In addition, the Joko Widodo administration also introduced a social forestry policy that allowed communities to own forestry management land. However, during the second period of his administration, forestry policies, again, had benefited corporations, especially with the issuance of the Job Creation Law which gave rise to many protests from the public. Fred Block's in his book "the Revising State theory" to the conclusion that the business community has a strong influence on the formation of state policy and that business people seek government's assistance to support their profit-seeking activities through various policies. The policies are in the form of trade protection, subsidy programs, tax benefits, punitive treatment of strikers, contracts from the government, and so on. However, Block also believes that other than providing support to corporations to accumulate capital, the government must also maintain social stability both as a protection for business confidence and because the government wants to maintain its power. Social forestry policy, for example, is aimed at reducing social conflicts by providing access to communities with cultivated land to improve their welfare.

**KEYWORDS**

State, corporation, Industrial Forest, social forestry

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### 1. Introduction

Economic liberalization is carried out by loosening policies that regulate and limit the movement of business circles. In business, liberalization is briefly defined as "the removal of controls" which aims at encouraging investment growth. Many countries have implemented economic liberalization since the 1980s, 1990s and in the 21<sup>st</sup> century with the aim of increasing investment. Liberalization often takes the form of privatization of both government institutions and enterprises, followed by regulations that

encourage labor flexibility to the detriment of workers' welfare. In developing countries, economic liberalization is often synonymous with deregulation to open the economy as widely as possible to foreign capital.

One examples concerning liberalization in this research is the reduction of restriction on time extension and expansion of concession area in the Industrial Plantation Forest sector which was carried out through various regulations issued by the Ministry of Forestry during the administration of President Susilo Bambang Yudhoyono and the Ministry of Environment and Forestry during the administration President Joko Widodo.

This article will also bring up the case of weakening criteria of the Environmental Impact Analysis through the Job Creation Law. This article argues that liberalization measures indicate regulatory capture by corporations over policy-making processes, and this has negative impacts on the environment and community welfare.

Forest damage in Indonesia has occurred since the 1970s (Herman Hidayat, 2011, p. 88). To prevent widespread forest damage, President Suharto's administration issued a policy that addressed the development of Industrial Plantation Forests around the 1980s to replace the Forest Concession Rights policy, which considered causing many problems. From the beginning, the aim of the Industrial Plantation Forest policy was to better regulate the use of forests and peatlands. But in its implementation, the Industrial Plantation Forest Policy also raised similar problems in the management of forest and peatland concession areas. Instead of reducing the level of deforestation or forest degradation caused by the previous Forest Concession Rights policy, the Industrial Plantation Forests policy, instead, extended the list of damages occurred in the forest and peatland areas. In 1998, mismanagement in concession areas of Forest Concession Rights resulted in deforestation of around 16.57 million hectares, and after that, the rate of forest damage increased every year.

### **1.1 Industrial Plantation Forest Policy**

Industrial Plantation Policy was a forest management system conceptualized by the Soeharto's administration, which was initiated in 1983 as a response to the lack of timber supply as raw material for the industries of paper pulp, plywood, sawmill and other industries. Industrial Plantation Forest aimed to develop forest management that balances private company profits and forest sustainability. (Nugroho in Herman Hidayat, 2011, p. 67)

When Industrial Plantation Forest was conceptualized in the Five-Year Development IV (1983-1988) demand for wood was around 40 million m<sup>3</sup> and after that it increased rapidly to around 70 million m<sup>3</sup> in the 1990s. However, this demand could not be met by the procurement of wood from Indonesian forests, which at that time was only around 38.4 million m<sup>3</sup> from production forests of the Forest Concession Rights covering an area of 64 million hectares. Therefore, the government issued an Industrial Plantation Forest policy in 1986 through Ministerial Decree of Forestry No. 320/Kpts-II/1986 concerning Development of Industrial Plantation Forests. This ministerial decree stated that areas which were allowed be used as Industrial Plantation Forests areas were grasslands, shrub areas, swamp forests and other unproductive forests. Another important provision in this Ministerial Decree was that the utilization of forest areas was to meet the needs of society in general and industry and exports in particular. To maximize forest utilization, deregulation and de-bureaucratization carried out through the Decree of the Ministry of Forestry No. 269/Kpts-II/1989 with the aim of shortening the bureaucratic path in licensing.

Commitment to developing the Industrial Plantation Forests was increased through the issuance of regulations at the level of Government Regulation, namely PP No/7/1990 concerning Industrial Plantation Forest Concession Rights. This Government Regulation was issued with the consideration that forests were potential natural resources that could be renewed, which required to be utilized optimally and sustainably for the greatest prosperity of the people. The Industrial Plantation Forests policy was one way to manage forests while maintaining their sustainability. This long-term forestry policy was carried out by issuing several operational regulations for the Industrial Plantation Forests development, including the following: (1) Government Regulation (PP) No. 7/1990 concerning Industrial Plantation Forest Concession Rights which complemented the Ministerial Decree of Forestry no. 320/Kpts-II/1986 concerning Industrial Plantation Forest Development. (2) Presidential Decree No. 29/1990 concerning Reforestation Fund Contributions which complemented Presidential Decree no. 35/1980 concerning Reforestation and Forest Planting Insurance Funds. (3) Ministerial Decree of Forestry No.19/Kpts-II/1991 concerning Distribution of Reforestation Funds for Industrial Plantation Forest development carried out by the State Forestry Company within the Ministry of Forestry. (4) Joint Decree of the Minister of Forestry and the Minister of Finance No. 421/Kpts-II/1990 and No.931/Kmk.0.13/1990 concerning the Principles of State Capital Involvement and Loan of Reforestation Fund Contributions for Industrial Plantation Forests development (Herman Hidayat, 2011, p. 67).

With the enactment of Government Regulation no.7/1990 concerning the Industrial Plantation Forest Concession Rights, natural forest concessions previously granted through Forest Concession Rights that switched to Industrial Plantation Forests' concession. This policy explicitly stated that forest areas designated as management areas of the Industrial Plantation remain unproductive

production forest areas (Article 5 Point 1, PP No.7/1990). This was reinforced by its explanation that the forest areas or areas that were the main targets for Industrial Plantation Forests development were those that needed to be reforested and maintained as permanent forests (Explanation of PP. 7/1990). It is clear that the aim was to restore the protection function of forest areas so that areas that could be processed as Industrial Plantation Forests areas were not natural ones but areas that had been neglected and no longer productive. Apart from that, the rights to control the Industrial Plantation Forests area could not be transferred or traded to other parties. This Government Regulation also classified Business Permits for the Utilization of Timber Forest Products for Plantation Forests for pulp and carpentry or other industries (ICW & Greenomich Indonesia, 2004, p. 6). The area limit for Business Permits for the Utilization of Timber Forest Products for Plantation Forests for pulp was a maximum of 300,000 hectares and for carpentry and other industries was 60,000 hectares with a maximum concession period of 35 years. Detailed data about this issue can be seen in the table below.

**Table 1. Business Permits for the Utilization of Timber Forest Products for Plantation Forests**

Type of business permit for plantation forests	Maximum land size (in hectare)	Term	Success indicator of planting
Business Permits for the Utilization of Timber Forest Products for pulp	300,000	35 years + main crop cycle	<ul style="list-style-type: none"> <li>1/10 of the land size has been cultivated in the first 5 years</li> <li>The whole land has been cultivated in the maximum limit of 25 years</li> </ul>
Business Permits for the Utilization of Timber Forest Products for carpentry or other industries	60,000	35 years + main crop cycle	<ul style="list-style-type: none"> <li>1/10 of the land size has been cultivated in the first 5 years</li> <li>The whole land has been cultivated in the maximum limit of 25 years</li> </ul>
Note: Land size of Business Permits for the Utilization of Timber Forest Products for plantation forests is adjusted to the need of industrial raw material in its optimal capacity			

*Source: ICW & Greenomich Indonesia, 2004, p. 6*

After Government Regulation no.7/1990 issued, the Minister of Forestry then issued Decree No. 228/Kpts-II/1990 as a further explanation that the granting of Business Permits for the Utilization of Timber Forest Products for Plantation Forests carried out through submission of an application. If the application for the Business Permits for the Utilization of Timber Forest Products for Plantation Forests for pulp was approved, the Ministry of Forestry would then issue an exploration permit. Meanwhile, if the application for Business Permits for the Utilization of Timber Forest Products for Plantation Forests for carpentry or other industries was approved, the Director General of Forest Management would then issue a permit for trial planting in the reserve area which had been approved by the Minister of Forestry. (ICW & Greenomich Indonesia, 2004, p.6).

As stated by Hariadi Kartodihardjo and Agus Supriono (2000, p. 3), the progress of large-scale Industrial Plantation Forests and plantation development was motivated by the government's aim of attracting investors to manage the vast unproductive production forests. However, starting in the 1980s, an interest of developing plantations emerged, especially oil palm, which was stimulated by high demand from the export market. Because of this, government policies regarding forest conversion and land use changed to make things easier for investors in the plantation sector.

### **1.2 Policy Change Regarding Industrial Plantation Forests**

The issuance of Law no. 41/1999 concerning Forestry showed that the government at that time increasingly sided with corporate interests. The derivative regulations governing the implementation of Law no. 41/1999, such Government Regulation no. 34/2002, no. 6/2007 and no. 3/2008 loosened the concession term limits from 20-35 years to 55-100 years. The maximum limit of concession land area was also liberalized, but this was only done in the subsequent government period. The table below shows changes in area size and concession terms more clearly.

Table 2, Escalation of area and tenure of concession

Regulation	Type of Forest	Business Permits for the Utilization of Timber Forest Products				Desc.
		Mechanism	Issuing Agent	Area Size	Tenure (Max)	
1	2	3	4	5	6	7
<b>Law No.5/1967</b>						
Government Regulation No.7/1990	Natural Forest	-	-	-	-	
	Plantation Forest	Proposal	Minister	- Plantation forest for pulp 300,000 hectares - Plantation forest for other industries 60,000 hectares	35 years	
Government Regulation No.6/1999	Natural Forest	Proposal/bidding	Minister	10,000-50,000 hectares	20 years	
	Plantation Forest	Proposal/bidding	Minister/governor	- Plantation forest for for pulp 10,000-50,000 hectares - Plantation forest for other industries under 10,000 hectares	35 years	
<b>Law No.41/1999</b>						
Government Regulation No.34/2002	Natural Forest	Offer/bidding	Minister	50,000-100,000 hectares	55 years	
	Plantation Forest	Offer/bidding	Minister	50,000-100.000 hectares	100 years	
Government Regulation No.6/2007	Natural Forest	Offer/bidding	Minister	50,000-100,000 hectares	55 years	
	Plantation Forest	Offer/bidding	Minister	50,000-100,000 hectares	100 years	
Government Regulation No.3/2008	Natural Forest	Offer/bidding	Minister	50,000-100,000 hectares	55 years	
	Plantation Forest	Offer/bidding	Minister	50,000-100,000 hectares	100 years	

Source: Government Regulation of the Republic of Indonesia ([peraturan.bpk.go.id](http://peraturan.bpk.go.id), [Peraturan.go.id](http://Peraturan.go.id), [Jdih.menlhk.gi.id](http://Jdih.menlhk.gi.id))

The Industrial Plantation Forests policy inherited forest management from the previous permit, namely the Forest Concession Rights, which resulted in forest damage (deforestation). Forest damage due to the Forest Concession Rights up to June 1998 reached 16.57 million hectares, which the government then converted, rehabilitated and set aside for other needs that had not

been determined (Hariadi Kartodihardjo and Agus Supriono, 2000, p. 7). Forests under the Forest Concession Rights that would later become part of the Industrial Plantation Forests area, which from the start intended to maintain a balance between the supply of raw materials for the pulp, paper as well as other industries and forest preservation.

However, the balance between industrial interests and environmental sustainability was difficult to maintain because since its inception, corporations, which were former holders of the Forest Concession Rights, had influenced the Industrial Plantation Forests. When there was allocation and conversion of natural forests into industrial ones, private companies quickly invested their capital in developing Industrial Plantation Forests and plantations (Hariadi Kartodihardjo and Agus Supriono, 2000, p. 8).

The Industrial Plantation Forests policy provided benefits to corporations in the form of land size area and concession management tenure that continued to increase. Other support provided by the government to attract investment into the scheme of the Industrial Plantation Forests was the distribution of Reforestation Funds to corporations under the Industrial Plantation Forests category. These companies (joint ventures between Private-Owned Enterprises, cooperatives and state-owned forestry enterprises) in the form of Government Capital Participation and low interest loans around 12% which was very profitable for concession permit holders or corporations under the Industrial Plantation Forests. (ICW & Greenomich Indonesia, 2004, p. 11).

### **1.3 Subsidy Policy using Reforestation Funds**

Reforestation Funds subsidy through Government Capital Participation and low-interest loans for Industrial Plantation Forests development highly helped the development of investment in the sector. It was also reinforced by the absence of a clear assessment of the success criteria for crops yielded from the Industrial Plantation Forests. There was no accountability for the disbursement of subsidiary funds of the concession holders regarding the performance of their companies. This due to no monitoring mechanism for the various regulations that implemented.

The following is the description of channeling Government Capital Participation scheme and low-interest loans in the business under the Industrial Plantation Forests sourced from the Reforestation Funds.

- 1) Government Capital Participation channeling to state-owned forestry enterprises is 14% of the Reforestation Funds.
- 2) Government Capital Participation private-owned enterprises and/or cooperatives is 21% of the Reforestation Funds.
- 3) Loans take 32.5% of the Reforestation Funds with 0% interest.
- 4) Commercial loans allocated from the Reforestation Funds is 32.5% with the interest determined by the Ministry of Forestry based on the average interest rate of one-year term deposit implemented by the channeling banks.

Another convenience provided by the government was that the loan was repaid after the Industrial Plantation Forests development began to yield any products.

## **2. The Industrial Plantation Forests Policy during the administration of President Susilo Bambang Yudhoyono, 2004-2014**

During President Yudhoyono's administration from 2004-2014 liberalization in the forestry sector continued and the government even expanded boundaries, authority, concession ownership rights and subsidies for corporations. The government issued various regulations to provide space for companies to have larger areas of land to increase production of raw materials for the pulp and paper industry. During this period, many permits on the Industrial Plantation Forests were issued for new concessions or additional concessions granted to corporations, which continues to this day. As a result, of Indonesia's total forest area based on its function, which is around 127,030 million hectares, has experienced deforestation around 50% or approximately 94 million hectares of the forest area. With the rate of forest damage currently reaching around 1.13 million hectares each year (FWI and *Koalisi Responsi Bank Indonesia*, 2015, p. 4), deforestation is a very serious problem in Indonesia. The trend in the rate of deforestation in Indonesia within the period of 1985-2013 can be seen in the table below.

**Table 4. Deforestation Rate in Indonesia within 1985-2009**

Period	Interval Year	Deforestation Rate	Total (in millions of hectares)
1985-1997	12 year	1.80 %	21.60
1997-2000	3 year	2.84 %	8.52
2000-2009	10 year	1.51 %	15.15
2009-2013	4 year	1.54 %	6.17
<b>Total</b>			<b>51.44</b>

Source: FWI and Menteri Kehutanan in Dewi Fadilah Ulfa dan Ibnu Nugroho, 2021, p. 29

Based on the data stated in the table above, it shows that deforestation continued from 1985 to 2013, reaching a total of 51.44 million hectares. The peak rate of deforestation occurred within the 1997-2000 period because during the reform period the country was in an “unstable” state. The occurrence of political upheaval resulted in massive uncontrolled burning and logging of forests and land. Meanwhile, in 2000-2009 the government implemented a moratorium on the Forest Concession Rights concessions. However, because the Industrial Plantation Forests concessions were opened as widely as possible, the deforestation rate remained at around 1.51%. The continued opening of the Industrial Plantation Forests concession permits resulted in the increasing rate of deforestation in the 2009-2013 to 1.54%. As a result, within four years, Indonesia lost 6.17 million hectares of forest. Hence, until 2013 Indonesia had experienced forest damage of approximately 51.44 million hectares (Dewi Fadilah Ulfa and Ibnu Nugroho, 2021, pp. 29-30).

Meanwhile, based on research conducted by Forest Watch Indonesia (FWI), the Industrial Plantation Forests had contributed to deforestation rates of 453 thousand hectares per year. Until 2013, within the Industrial Plantation Forests concession area, only 1.5 million hectares of forest cover remained. The high rate of deforestation has a huge impact on losses, both for local communities, flora and fauna in forest ecosystems and the world community because forests are the lungs of the world. Deforestation also has an impact on damaging community economic assets and increasing social and tenurial conflicts (FWI and *Koalisi Responsi Bank Indonesia*, 2015, p. 4). In terms of deforestation, both inside and outside forest areas, Riau province occupies the highest position in Indonesia, which is approximately 50.81%, followed by Central Kalimantan province 14.8%, East Kalimantan and North Kalimantan provinces 9.64%, and West Kalimantan province 7.52%. (Dewi Fadilah Ulfa and Ibnu Nugroho, 2021, p. 31).

There are several factors that lead to the granting of large-scale Industrial Plantation Forests concession permits which have caused massive deforestation in Indonesia. Firstly, the government makes the forestry sector a source of state income without a mature and comprehensive forest management planning concept. The Forest Concession Rights policy is only for the purpose of increasing investment, with not accompanied by the concept of sustainability and anticipating the impact of forest damage. Further to that, without first carrying out an audit review of forest damage caused by the Forest Concession Rights, the government instead initiated a new policy, namely the Industrial Plantation Forests concession permits. This is evident from the total area of Indonesia's forest area based on its function of around 127,030 million hectares, 26.57% or approximately 33.44 million hectares of which was handed over to corporations (Kurniawan Sabar, WALHI, 2020, p. 3).

From the figures above, Business Permits for the Utilization of Natural Forest Timber Products were the most extensive, followed by control under the Industrial Plantation Forests. According to Kurniawan Sabar and Ode Rakhman written in the *Investigative Study of Dirty "Timber Plantation" Practices in Indonesia* published by the Forum for the Environment, in 2020, it was recorded that there are 11.17 million hectares of forest areas of which utilization rights was given to 293 business units with an investment value of IDR 74.69 trillion. The continuously rising price of wood produced by the Industrial Plantation Forests had encouraged investors to invest in the forestry industry. Data from *Status Hutan dan kehutanan 2018 Kementerian Lingkungan Hidup dan Kehutanan* (The 2018 Forest and Forestry Status published by the Ministry of Environment and Forestry) and other publications by the ministry, show interested facts. It showed that 33,448,501.37 hectares of Indonesian forest areas had been subject to permits and their management handed over to corporations (Kurniawan Sabar and Ode Rakhman, 2020, p. 3). The table below explains the description of permits and concession area granted.

**Table 5. Forest Tenure Based on Permit Sector in 2018**

Type of Permit	Forest Tenure (in million hectare square)	Business Unit
<b>Forestry Sector</b>		
Business Permits for the Utilization of Timber Forest Products – Plantation Forests	11,171,934	293
Business Permits for the Utilization of Timber Forest Products – Natural Forests	18,430,242	253
Business Permits for the Utilization of Timber Forest Products – Ecosystem Restoration	623,075	16
Business Permits for Utilization – Environmental Service	48,080	2
Business Permits for Utilization of Non-Timber Forest Products	301,227	31
Borrow-to-Use Forest Area Permits	517,739.92	904
Special Mining Business Permit for Sylvopastura	616	2
State-owned Forestry Enterprises in Java and Madura	2,445,006.00	1
<b>Total</b>	<b>33,537,919.92</b>	<b>1,502</b>

Source: Kurniawan Sabar and Ode Rakhman, *Studi Investigasi Wahana Lingkungan Hidup*, 2020, hal. 4.

Secondly, forest management policies involving permits of Forest Concession Rights and Industrial Plantation Forests were not in a harmonious state and overlap with each other. These overlapping policies include, for example, those pertaining to Forest Management Units. The authority of the Forest Management Units, which was established in 1967, to map forest management areas according to their main functions was still confusing. Stakeholders' understanding of the Forest Management Units concept in the provisions of Government Regulation no. 6/2007 and no. 38/2007 was still unclear. It was unclear whether the Forest Management Units had the authority to carry out forest management in the regions or only submit technical considerations and recommendations to the central government. (Putu Oka Ngakan, Heru Komarudin and Moira Moeliono, 2008, p.3). Forest Management Units at the regional level had been formed, but their existence had never been felt in forest management.

Thirdly, there was a conflict of interest between the government, business people and civil society in the Industrial Plantation Forests policy. Regional Autonomy had a big impact on forest damage because it involved many groups and actors who had an interest in managing forests. Before Regional Autonomy existed, the actors concerned were centered on the state, which was central government and corporations/business people. However, with the Regional Autonomy policy, regional heads, ranging from Governors, Regents/Mayors, Village Heads, tribal heads, and others played their roles. In 2007, there were 37 Industrial Plantation Forests corporations committing environmental crimes in the form of illegal logging in Riau with permission from the Regent within 2001-2003. The corporations destroyed natural forests in the concession area of Industrial Plantation Forests (Hariadi Kartodiharjo, 2017, p.2). Apart from illegal logging, since the reform of forest management policy was issued, there had been many regional heads who were caught committing acts of corruption by selling concession permits to businessmen.

### **3. The Industrial Plantation Forests Policy during the administration of President Joko Widodo, 2014-2024**

*Nawacita* in the first period of Joko Widodo's government (2014-2019) was his administration's approach to reorganizing policies in favor of the nation state, including managing economic potential in the forestry sector. Through the *Nawacita* concept, Joko Widodo's administration made changes to the policies issued by the Yudhoyono's administration, which considered liberal. Liberalization in managing the forestry sector had caused increasingly widespread damage of natural forests. Joko Widodo's administration felt the impact of forest damage due to massive forest and land fires in Kalimantan and Sumatra in 2015. The fire resulted in Indonesia being condemned internationally because the smoke haze reached Singapore, Malaysia, Brunei Darussalam and Thailand.



Joko Widodo's administration made two breakthroughs in its efforts to manage the potential and challenges of the forestry sector.

- Merging the Ministry of Environment with the Ministry of Forestry to become a joint ministry under the new name, Ministry of Environment and Forestry.
- Conduct a review of forestry sector governance policies carried out by the previous administration.

The formation of the Ministry of Environment and Forestry cut down the administrative process of environmental licensing authority with the aim of clearing the way for investors by providing facilities to increase competitiveness. Increasing competitiveness was carried out through the process of simplifying investment licensing by establishing a one-stop integrated policy for investment permits and environmental permits.

Minister of Environment and Forestry, Siti Nurbaya Bakar, issued 27 ministerial decrees related to the Industrial Plantation Forests to carry out improvements, one of which was the Decree of Minister of Environment and Forestry No. P 42/Menlhk-Setjen/2015 concerning Administration of Timber Forest Products Originating from Plantation Forests and Production Forests. Ministry of Environment and Forestry Regulation No. P 42/Menlhk-Setjen/2015 tried to discipline permit holders of Business Permits for the Utilization of Timber Forest Products – Industrial Plantation by carrying out an Inventory of Trees Before Logging. The result recorded in the Cruising Results Report electronically and uploaded to the application provided by Forest Product Administration Information System. With the Inventory of Trees Before Logging, opportunities to damage natural forests or illegal logging could be controlled.

Apart from that, due to forest damage, conflicts concerning land and forest, and the problem of forest fires, the Joko Widodo's administration made changes to reduce concession permits of Industrial Plantation Forests. His regime issued Decree of Minister of Environment and Forestry P. 45/Menlhk/SetjeHPL.0/5/2016 concerning Procedures of Changing the Size of Area for Business Permits for the Utilization of Forest Products in Production Forests. The decree of Minister of Environment and Forestry P. 45/Menlhk/SetjeHPL.0/5/2016 tried to increase the efficiency and effectiveness of sustainable forest use in two ways. First, reducing the working area of forest product utilization business permits. Second, combining the work areas of forest product utilization business permits with the same permit holder in order to increase the efficiency and effectiveness of sustainable forest use (Article 2 Paragraph 1, P.45/Menlhk/SetjeHPL.0/5/2016). The table below shows the corrective policies implemented by the Joko Widodo's administration to improve the policies of his predecessor.

**Table 6. Description of Corrective Policies in Forestry Sector by the Joko Widodo's Administration**

<b>Direction of the Industrial Plantation Forests policy in the Joko Widodo's administration</b>	<b>Policy Description</b>
Corrective Policy of the Industrial Plantation Forests Development	Establishing low carbon development and resilience to climate change through restoration, management and restoration of peatlands, forest and land rehabilitation and reducing deforestation.
	Changing the direction of forest management from initially focusing on wood management to management grounded on forest resource ecosystems and community-based manner.  Establish community-based forest management by providing access to forest management to the community in a just and sustainable manner through social forestry and community partnerships.
	Resolving conflicts related to forestry tenure cases and providing legal land assets for the community through the agrarian reform land objects.
	Prevent loss of biodiversity and damage to ecosystems through area conservation and protection of endangered biodiversity.



Direction of the Industrial Plantation Forests policy in the Joko Widodo's administration	Policy Description
	To prevent, overcome and restore damage to natural resources and the environment

Source: Processed from Afni Z, 2021.

The corrective policies issued by the Joko Widodo's administration regime above conveyed in international forums such as the Committee on Forestry (2018) and the Asia Pacific Forestry Commission (APEC) (2019). This stipulated in the book "New paradigm, new balance: the state of Indonesia's forest" which stated that breakthroughs in forest (and peatland) management involving the private sector as well as communities and indigenous communities were being carried out to utilize forest products optimally through the implementation of the nine priority agendas (*Nawacita*) of the Joko Widodo's administration. His administration enthusiastically encouraged the transformation of forestry management policies to increase people's access to forest areas and reduce the growth of corporate licensing.

Difference size of concessions granted by the Yudhoyono's administration and the Joko Widodo's administration for the 2014-2019 period can also be seen from the issuance of permits to utilize the forestry sector through Borrow-to-Use Forest Area Permits. This is the use of forest areas for development purposes outside the forestry sector without changing the function and designation of forest areas. The purpose of issuing this permit was that the forest area would be returned to the state after the borrow-to-use period ended. The permit could be in the form of a business permit for the use of industrial park forests, a business permit for the use of natural forests, a business permit for the use of ecosystem restoration forests and a business permit for the use of timber forest products. The data regarding the permit below shows that the concession area granted by the Joko Widodo's administration for the 2014-2019 period is less than half of the concession area granted by the Yudhoyono's administration.

**Table 7. Data of Borrow-to-Use Forest Area Permits and the Issuance of Forest Release Permit**

Administration Tenure (Period)	Borrow-to-Use Forest Area Permits	Forest Release Permit
Soeharto (1984-1998)	66,251 hectares	3,468,801 hectares
B.J. Habibie (1998-1999)	22,126 hectares	763,041 hectares
Abdurrahman Wahid (1999-2001)	33,359 hectares	164,147 hectares
Megawati (2001-2004)	13,701 hectares	3,702 hectares
Yudhoyono (2004-2014)	322,167 hectares	2,312,603 hectares
Joko Widodo (2014-2020)	131,516 hectares	619,357 hectares

Source: KLH, 2020

Furthermore, in the era of Yudhoyono's leadership, within 2004-2014 the total number of Borrow-to-Use Forest Area Permits issued was 2,312,603 hectares followed by a trend of increasing permits which mostly occurred in political years such as 2009 and 2014. During Yudhoyono's first administration period (2004-2009), the most concession permits issued in 2009 were 247,882 hectares and in Yudhoyono's second period (2009-2014) the number of permits almost doubled in 2014, namely 573,949 hectares.

Forestry policies in Indonesia since the previous administrations up to the Susilo Bambang Yudhoyono's and Joko Widodo's showed that there were various problems in both policy making and implementation. The government's political interest in regulating various policies of managing Industrial Plantation Forests, including on peatlands, was driven more by economic interests than the desire to protect forests and peatlands in the interests of environmental sustainability and improving community welfare. Economic policies that prioritized economic interests were what George J. Stigler called regulatory capture or control of policy by industry. During the Yudhoyono's administration, corporations were given facilities in obtaining concession permits. Corporations were given facilities to carry out forest exploitation activities through policies that increased ownership of managed land even beyond what was stipulated by previous policies. As Stigler said with his regulatory capture theory, "The main task of

economic policy theory is to explain who will receive the benefits or burdens of policy, what form the policy will take, and the impact of policy on resource allocation” (Stigler, 1971, p. 3). There were two policies issued by the Yudhoyono’s administration. First is the Presidential Decree no.6/2007 that concerning Forest Governance and Preparation of Forest Management Plans and Forest Utilization. Second is the Presidential Decree no.3/2008 that concerning Amendments to Presidential Decree No. 6/2007 on Forest Governance and Preparation of Forest Management Plans, as well as Forest utilization, an important part of the Yudhoyono government’s policy regarding the Industrial Plantation Forests, became an important part of his policies pertaining to the Industrial Plantation Forests. In these decrees, his administration explicitly formulated policies of the Industrial Plantation Forests that could use natural forests, as stated in article 56 of the Presidential Decree No. 3/2008.

The research findings from this dissertation also show that economic interests were seen in the roles of the actors involved and the management area of policy making that made it easier for corporations to develop, including the provision of all facilities such as tax holidays or tax incentives for a certain period of time, subsidies for reforestation and protection for monopoly on production results. The program designed by the Joko Widodo’s administration called *Nawacita* holding the main value of reorganizing policies in favor of the nation state apparently did not make any changes to the Industrial Plantation Forests policy, which was already problematic from the start. The first policy issued by his administration at the initial stage of its administration was the Decree of Minister of Environment and Forestry P.12/menlhk-II/2015 concerning the Development of Industrial Plantation Forests. In principle, this policy was still the same as the previous policy regarding concession areas although it addressed issues of natural forests. This policy certainly benefited corporations because it did not pay attention to the problems of forest damage or deforestation by corporations by granting concessions in natural forests. In his book Block stated *“In the absence of environmental regulation, there would be a complete degradation of the environment since firms would have every incentive to lower costs by increasing pollution and reducing quality, often in dangerous ways”*. This means that both the Susilo Bambang Yudhoyono’s and the Joko Widodo’s administrations had issued policies that protected capital accumulation without paying attention to the problems of deforestation, including in Riau. The advantage obtained by corporations with this Industrial Plantation Forests policy was that the limit of concession area was wider, the criteria of the area were increasingly ‘loose’, the authority to grant Business Permits for the Utilization of Forest Timber Products - Industrial Plantation Forests was again transferred to the central government, namely the Minister of the Environment and Forestry, the management period continued to get longer, and the authority to approve the Annual Business Work Plan for the Utilization of Industrial Plantation Forest Products could only be carried out by the Minister of Forestry. Yudhoyono’s administration issued policy in form of Law No. 25 of 2007 concerning investment, which expanded the power of capital to agrarian approval and ownership. Article 21 of Law no. 25 of 2007 made it easy for investors to obtain business use rights for 60 years which could be extended to 95 years and use rights for 45 years and could be extended to 70 years. Yudhoyono’s administration also carried out massive conversion of natural forests to build the Industrial Plantation Forests. The concession permit also included natural forests, conservation forests and protected forests such as peat domes.

There had been improvements made by the Joko Widodo’s administration, such as issuing a regulation of the Ministry of Environment and Forestry to discipline concession holders. One attempt is by carrying out an Inventory of Trees Before Logging, which aimed to reduce destruction of natural forests by controlling illegal logging, it also issued a regulation of the Minister of Environment and Forestry P.45/Menlhk/SetjenHPL.0/5/2016 to increase the efficiency and effectiveness of sustainable forest use. Controlling deforestation was also carried out by issuing a moratorium policy and granting new permits through Presidential Instruction no. 5 of 2019. However, this policy also still benefited corporations because there were exceptions for corporations that already had previous principle permits. Thus, both presidents had issued policies that protected corporations. As Block said *“Business people’s seeking help from the government for their own profit-making activities...”*, *“The concern with the investment level provides a powerful disincentive against taking anti-capitalism actions and provides strong incentive for measures to improve the investment climate”*. The policy to boost investment, thus, still became the main goal of the two administrations.

In the 2004-2009 period, under the Minister of Forestry, M.S. Kaban, 58 policies related to the Industrial Plantation Forests were issued. One of the policies issued in the early days of the Yudhoyono’s administration by Minister M.S. Kaban was to open opportunities for foreign investment as widely as possible in the development of the Industrial Plantation Forests. Through Ministerial Regulation P.21/Menhut-II/2005 concerning Foreign Investment in the Business Sector of Utilizing Timber Forest Products in Plantation Forests and a decree of Minister of Forestry No.101/Menhut-II/2004 issued by the Minister of Forestry, M.S. Kaban required the timber products generated by the Business Permits for the Utilization of Timber Forest Products for Plantation Forests to supply pulp and paper industries.

Then, in the 2009-2014 period, Minister of Forestry, Zulkifli Hasan, issued 42 policies related to the Industrial Plantation Forests. The support of Yudhoyono’s administration for corporations in the Industrial Plantation Forests development during his administration was by issuing 254 concession permits of the Industrial Plantation Forests, covering 10.1 million hectares.

#### 4. Social Forestry Policy in Joko Widodo's Administration

Minister of Forestry, which during the Joko Widodo's administration was changed to the Ministry of Environment and Forestry, issued a regulation Number P.88/Menhut-II/2014 concerning community forests, which stated that community forests were state forests whose main use was aimed at empowering local communities to improve their welfare. Then the corrective effort made by the Joko Widodo's administration was to issue a policy on social forestry with the issuance of a regulation of Minister of Environment and Forestry P.83/2016 concerning Social Forestry. The administration had set a land allocation target of 12.7 million hectares with the aim of reducing conflicts between communities living around company concession areas which had the potential to disrupt industrial operations, alleviate poverty in local communities and increase forest cover. This community forestry and social forestry policy was an effort by the government apart from maintaining business confidence, as Block said *"The business community, in general, has pushed the state to carry out policies that have been good for economic growth and good for maintaining social order"*, (Block, 1987, p.9). The government also had an interest in maintaining the trust of the business community by reducing conflicts that could be detrimental to corporations and also making populist policies to gain the trust of the public so that the president would be re-elected at the next election. The social forestry policy issued by the Joko Widodo's administration, as stated by Block, stated that the state also had relative autonomy. "... that the state is not subject to direct and immediate control by the capitalist class, but that it has a degree of autonomy from such control. This insight makes clear that not all state actions can be explained as responses to the interests of particular fractions of the capitalist class, but rather many actions can be understood as flowing from the state's function as the "factor of cohesion" in the social formation". (Block, 1987, p. 83). State's relative autonomy is also limited, as Block stated, "If the state managers were to exceed certain limits, the capitalist class—or factions thereof—would act to bring the state back into line". (Block, 1987, p.83)

The main idea of Block's theory is that capital owners are aware of their interests as capitalists, but they do not want to be bothered with maintaining and reproducing social order, hence, they leave it to the state to maintain social order in order to create business confidence so that there is no disruption when corporations operate. Maintaining social order carried out by the government in this case is making social forestry policies in order to prevent conflicts over land ownership issues, so the government provides managed land, which cannot be bought and sold, to the community. The main aim is to avoid social conflicts that will impact corporate production. For this reason, the government provides land management access to the community which is called social forestry, with the hope that their welfare will improve.

This dissertation makes a contribution to political science by showing how the state should carry out its constitutional mandate to utilize natural resources to the maximum extent for the welfare and prosperity of society but instead protects corporate interests.

The explanation of Government Decree no.6/2007 that replaced Government Regulation No.7/1990-PP No. 34/2002 on the criteria of development area of the Business Permits for the Utilization of Timber Forest Products for Plantation Forest and Industrial Plantation Forests is very crucial. Among others, regarding how the understanding about "forest production" that can be used as a negotiable clause for the ground of policy causing deforestation that have been used by "destructive" actors on the forest area during the administration of Yudhono. In the explanation regarding unproductive production forests in Government Regulation No. 6/2007 and Government Regulation No.3/2008 in the explanatory section of article 38 paragraph 3 and article 40 paragraph 4 states that what is meant by 'unproductive production forests' are forests declared by the Minister as plantation forest development area. Meanwhile in Government Regulation No.7/1990 and Government Regulation No.34/2002 in the general provisions of article 1 (d) the use of areas in production forests is a form of business to utilize growing space so that optimal environmental benefits, social benefits and economic benefits are obtained without reducing main function of forests. It is clearly written that the criteria for the Business Permits for the Utilization of Timber Forest Products for Plantation Forest and Industrial Plantation Forests are non-productive production forests which are followed by the technical rules for the criteria of being unproductive forests, such as forests overgrown with reeds. It is only required to revise the policy by providing another definition of Production Forest, which refers to unproductive forest which was declared by the minister as a plantation forest area. As Stigler said, regarding the control of policy by corporations, this means that the addition of the definition of unproductive production forests provides large profits to corporations because it opens up opportunities for evil conspiracy between policy makers and corporations. There is a room for area negotiations launched by the minister. There is a tug of war between interests and the state is "used" by corporations to facilitate capital accumulation efforts. Stigler said that there was control of policy by industry or corporations with the main idea being that *"as a rule, regulation is acquired by the industry and is designed and operated primarily for its benefit"*. (Stigler, 1971, h.3). This means that Stigler stated that policy makers are dominated by the interests they regulate instead of the public interest.

The research conducted for this dissertation research contributes to the theoretical debate about policy control by corporations which is complex and has many sides. State and Regulatory Capture Theory can see the relationship between states and corporations taking different forms depending on various factors such as historical, cultural, economic and political context. However, there are several theoretical approaches that can explain this relationship, as Fred Block stated in his book about concept of state-led development. This approach shows that the state often takes a central role in driving economic development, including

through policies that support corporations. Countries can use various tools, such as subsidies, tax incentives, regulations, and direct investment, to encourage the growth of domestic industries and protect them from external competition. But the state also has an interest in maintaining social order. Block said one way the state maintains social order is to provide concessions to businesses/corporations to ensure the availability of job vacancies for the community.

Fred Block criticized the view saying "the state has become merely a tool or instrument to achieve the goals of the ruling class" (Block, 1987, p. 53). This view ignores the ideological role of the state in maintaining the legitimacy of the social order and fails to recognize the state's ability to take action against the wishes of the ruling class in the name of capital. Corporations can become huge if the state wants them to, as is the case with conglomerates in the pulp and paper sector because the state wants it and provides various facilities so that these corporations can become big and control or even monopolize production and markets. Corporations can only become large/conglomerate with support from the state. This also said by George J. Stigler in his book *Theory of Economic Regulation* in *The Bell Journal of Economics and Management Science* Vol. 2, no. 01 (Spring 1971). Four things that will make a corporation big, namely as follows:

1. Corporations receive direct monetary subsidies, tax subsidies and business rescue when an economic crisis occurs.
2. Corporations obtain state support to control competitors who will enter the domestic market. Corporations hope that there will be policies that protect them from market competition or new similar businesses if they want to enter their industrial market.
3. Corporations obtain guarantees from the state so that there is a market for their industrial products, now called down streaming. For example, a pulp and paper factory obtain permission to build a viscose factory. Car manufacturers can pressure the state to create policies to eliminate public transportation such as trains and encourage as much highway construction as possible. Or the flour factory hopes that there will be a noodle industry or a derivative industry that uses this flour.
4. There is price fixing, where corporations pressure the government to make policies regarding palm oil prices or purchase prices for felled wood from primary forest land set by the government, which are far from market prices.

Policies that should be made for the public interest or the interests of society are instead made more for the political or business interests of individuals or certain groups who dominate the industry or group that should be regulated. Regulators and their regulations are often co-opted by these industries. Regulations that were originally created for the public interest will shift direction and change over time to adapt to industry needs. This is allowed to happen in general because of public ignorance of policies/regulations and their mechanisms, "...the success of a policy depends on how to hide it from the public" (Holcome, p. 551).

Since the previous government up to the Susilo Bambang Yudhoyono's and Joko Widodo's administrations, forestry policy in Indonesia showed that there were various problems in both policy making and implementation. The government's political interest in regulating various management policies for Industrial Plantation Forest, including on peatlands, is driven more by economic interests than the desire to protect forests and peatlands in the interests of environmental sustainability and improving community welfare. During the Yudhoyono's administration, corporations were given facilities in obtaining concession permits. Corporations were given facilities to carry out forest exploitation activities through policies that increased ownership of managed land even beyond what was stipulated by previous policies.

During the Yudhoyono's administration, the Minister of Forestry, M.S. Kaban, and later Zulkifli Hasan, clearly supported corporate efforts to increase their capital accumulation. One of the beneficiaries was *P.T. Riau Andalan Pulp and Paper (RAPP)*, which obtained a very large concession area. They controlled land managed with an Industrial Plantation Forests permit, covering an area of 338,536 hectares, far above the ownership area permitted by the law, which was 200,000 hectares that could be owned by one corporation. Not to mention if we look at the land control when combined with the land area of companies affiliated to P.T. RAPP, or what were known as partner companies, supplying raw materials. In Riau alone there were 28 companies that controlled 427,056 hectares of land. With such extensive land control, P.T. RAPP's production capacity in Pangkalan Kerinci increased every year, from 850,000 tons per year in 1996 to 1,975,000 tons per year in 2003 and increased again to 2,000,000 tons per year withing 2004 – 2006. Increased production and marketing chains had made P.T. RAPP has become a conglomerate in the pulp and paper production sector which controls a large market share in 55 countries. P.T. RAPP's pulp has been used by 80% of paper manufacturing companies in Asia and 15% of pulp consuming companies in Europe.

The occurrence of policy control had resulted in P.T. RAPP obtaining a "management permit monopoly, business monopoly and raw material supply monopoly". Mastery of this policy has created opportunities for collusion between P.T. RAPP and governmental leaders at the regional level, including village heads, regents and governors who act as recommenders, as well as the highest permit giver, namely the Ministry of Environment and Forestry. The Ministry of Environment issued the granting of the Industrial Plantation Forests concession permits, Forestry based on recommendations from the governors, and the governors based his

decisions on recommendations from the regents. However, there was a regulation which stated that if within two weeks a company's application for a concession permit was not processed by the governor or regents, the company could immediately apply for a permit to the Minister of Environment and Forestry and the minister would issue the permit without waiting for a recommendation from the governors or regents.

## 5. Conclusion

I examine this research by using a political economy theory approach to see how a dominant political power uses policies to exploit forest resources to benefit the corporation. Quoting Stigler from his book *The Theory of Economic Regulation*, he says that "as a rule, regulation is obtained by industry and is designed and implemented primarily for its own interests". (Stigler, 1971, p.3).

The various facilities provided by the state to the pulp and paper industry have limited the influence of the state on the industrial world. Stigler also says that the bigger the industry and the greater the company's income, the stronger is its ability to secure political support. What is interesting about Stigler's economic theory is that the permits obtained by companies would certainly increase their income. The larger the land concession permits owned by P.T. RAPP the greater is the company's capital accumulation ability and the stronger is their ability to get political support. In this case, Holcome says in his writing about crony capitalism that "government's intervention in the economy to benefit companies lay the foundation for crony capitalism". (Holcome, 2013, p. 541). In his opinion "crony capitalism is an economic system in which business profitability depends on political connections". (Holcome, 2013, p. 542). Crony capitalism is caused by government's interference in the economic sector, which in this case is carried out through policies that benefit corporations.

Minister M.S. Kaban, in his tenure 2004-2009, made many changes to the existing policies. Among other things, he issued Government Regulation 6/2007 as a replacement for Government Regulation 7/1990-PP 34/2002 concerning criterion for the development area of Industrial Plantation Forest – Business Permit for the Utilization of Timber Forest Products in Plantation Forests. In the old version the criterion explicitly stated that permit granting was only for unproductive production forests or grasslands. This criterion was applied to maintain the protective function of natural forests. This criterion was then changed by defining "unproductive production forests" as those reserved by the ministry as an area for plantation forest development. As a result, it was then made possible to develop Industrial Plantation Forest – Business Permit for Utilization of Timber Forest Products in Plantation Forests in natural forests as long as the area has been reserved by the ministry as an area for plantation forest development.

The next issue concerned restrictions on the area of land concession. Governmental Regulation 7/1990 stipulated that the limit for the area of Industrial Plantation Forest – Business Permit for Utilization of Timber Forest Products in Plantation Forests for the pulp and paper industry was 300,000 hectares and for carpentry or other industries it was set at 60,000 hectares. On March 10<sup>th</sup>, 1997 the Minister of Forestry and Plantations Djamaluddin Suryohadikusumo, based on Decree No.137/Kpts-II/97, granted a concession permit to P.T. HTI P.T. Riau Andalan Pulp and Paper (P.T. RAPP) that covered an area of 159,500 hectares. However, about ten years later, for the reason of supporting the pulp and paper industries, Minister M.S. Kaban issued Minister of Forestry Regulation No. 31/2005 in conjunction with P22/2009 which canceled the restrictions on the maximum concession area previously regulated by the Minister of Forestry Decree No. 146/Kpts-II/2003. This resulted in the absence of certainty regarding the location, status and function of forest areas and it, of course, provided an opportunity for corporations, including P.T. RAPP, to expand their concession area. P.T. RAPP's licensing area increased several times and most recently, based on Decree Number 180/Menhut-II/2013, the area managed by P.T. RAPP had reached 338,536 hectares. Minister M.S. Kaban then also gave freedom to concession permit holders for pulp and paper to utilize natural forests through the natural forest clear-cutting system until 2009 through No. SK.101/Menhut-II/2004 which regulated the acceleration of plantation forest development to fulfill the need of raw materials for the pulp and paper industries.

Minister Zulkifli Hasan, in his tenure 2009-2014, as the successor to Minister M.S. Kaban, provided further convenience to corporations. He issued the Minister of Forestry Regulation No.P.4/Menhut-II/2009 concerning Temporary Industrial Plantation Forest Concession Rights (HPHTI-S) which in substance explained that HPHTI-S was a right given to private corporations holding the Forest Concession Rights who were assigned to develop industrial plantation forests. Temporary Industrial Plantation Forest Concession Rights was a conversion of forest management which was previously in the form of the Forest Concession Rights. Although the Forest Concession Rights had a negative impact on the environment and damaged forests, the regime provided space for converting Forest Concession Rights areas into businesses that utilized wood forest products in industrial plantation forests (IUPHHK-HTI). With fairly loose administration, forest conversion could be carried out by simply making a statement of willingness to continue concession activities in the Industrial Plantation Forests, presenting the governor's recommendation, attaching an Environmental Impact Analysis, and paying off the fees charged for Industrial Plantation Forest Concession Rights (HPHTI).

The findings of this research also shows that economic interests could be identified in the role of the actors involved and the management area of policy making, which made it easier for corporations to develop. The policies that benefited corporations include the provision of facilities such as tax holidays or tax incentives for a certain period of time, subsidies for reforestation funds and protection for monopoly on production results. The Joko Widodo's program called Nawacita with the main value of reorganizing policies in favor of the nation state apparently did not make changes to the Industrial Plantation Forests policies which had already been problematic. In principle, the Industrial Plantation Forests policies were still the same as the previous ones regarding concession areas located in the natural forests. These policies certainly benefited corporations and caused forest damage or deforestation by corporations. In his book, Block stated *"In the absence of environmental regulation, there would be a complete degradation of the environment since firms would have every incentive to lower costs by increasing pollution and reducing quality, often in dangerous ways"*. It means that both the administrations of Susilo Bambang Yudhoyono and Joko Widodo had issued policies that protected capital accumulation without paying attention to the problem of deforestation, including in Riau. As a political entity, it turned out that the state or government was very much influenced by the dominant political powers, so that the direction of state policy reflected the political influence of those in power. Strengthening corporate intervention against the state would result in the erosion of state autonomy, resulting in the state being unable to realize the public agenda needed to maintain the social order that corporations actually needed to be able to run their businesses. The criticism of the state-based approach in political economy was that, in fact, the state often took sides with corporate and individual interests. In the case of P.T. RAPP, it can be seen that the state, especially during the Yudhoyono's administration with its ministers, M.S. Kaban and Zulkifli Hasan, made policies to provide convenience and facilities to support the expansion of the production of P.T. RAPP.

### **5.1 Limitation of the Study**

It was very difficult for researchers to interview sources from within P.T. RAPP. Hence, data and information about the corporation was mostly obtained from its company's profile, researches that had been previously conducted as well as from the mass media. However, these limitations did not reduce the important findings of this research which shows that policies regarding Industrial Plantation Forests increased the profitability of the corporations and caused deforestation because they ignored environmental issues.

This dissertation contributes to political science by showing that the state that should carry out its constitutional mandate to utilize natural resources to the maximum extent for the welfare and prosperity of society, but instead it protected corporate interests. Corporations often did not use a more holistic interest in maintaining this social order. The main idea of Block's theory is that capital owners are aware of their interests as capitalists, but they do not want to be bothered with maintaining and reproducing social order, so they give the state the task of maintaining social order in order to create business confidence to prevent disruption to corporate operations. In this case, maintaining social order is carried out by the government by creating social forestry policies in order to prevent conflicts over land ownership issues. The government provides communities to utilize land through a social forestry program without dealing with ownership issues. Hence community members have no rights to trade the land. The main aim was to avoid social conflicts that would impact corporate production. For this reason, the government provided access to land management to the communities, in which they were required to form farmer groups to submit applications for land management rights in the hope of improving the community's welfare.

### **5.2 Theory Implications**

The research findings lead to the conclusion that, as argued by Caporaso's theory of the state, the state is seen as an instrument used by individuals or groups to achieve personal goals. The state, however, should have had the ability to define and implement its own agenda, which was not defined or dictated by personal or group interests. The most important theoretical implication of this research is that there is a connection between state theory and corporatism theory, which has been proven in this dissertation. Caporaso said that the state is required to create economic regulations as an effort to regulate market behavior and protect the interests of every business actor. However, Stigler argues that there is control of policy by industry or corporations with the main idea that *"as a rule, regulation is acquired by the industry and is designed and operated primarily for its benefit"*, (Stigler, 1971, p. 3).

Further implications of this research on the theory of the state can be seen in Fred Block's statement that *"the business community has a large influence on the formation of state policy, and business actors seek government assistance to support profit-seeking activities through various policies. The policies provided are in the form of trade protection, subsidy programs, tax benefits, punitive treatment of strikers, and contracts from the government..."* However, Block also believes that apart from providing support to corporations to accumulate capital, the government must also maintain social stability both as a protection for business confidence and because the government wants to maintain its power. Thus, social forestry policies with the aim of reducing social conflict and providing access for the community to cultivated land to improve their welfare are options that allow the government to regain support from the communities.

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