

Touching the Sky: Human Rights Violations and Land Right Conflicts around Bakrie Sumatera's Plantations

Marianne Klute, Watch Indonesia!

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Bakrie and the attack on the village of Sei Kopas

All of the sudden the bulldozers return. They thunder across the fields and tear down whatever stands in their way. Farmers in their fields freeze in shock. Their rice harvest has been destroyed; young fruit trees have been uprooted. They are powerless against the machinery of the company Bakrie Sumatera Plantations and the hundreds of security forces hired by the company. Amongst them are police officers belonging to the Mobile Brigades, as well as hired criminals.

One farmer shouts: "This is our land! We will die for our land!" The security forces shout back: "Arrest them! Arrest them."

Syahmana Damanik, a farmer from Sei Kopas, runs away. The police shouts: "Kill him! Stand still or you're dead!". Shots are fired. Damanik suffers a serious bullet injury. Police drag him inside a car. They continue to beat him and hit him on the head. Inside the car, a policeman shoots him for a second time.

During the height of the events, the village children protect themselves inside a simple hut in a field. Outside, the police detain their fathers. They beat the fathers with batons and rifle butts and deliberately aim for their heads. Hired criminals arbitrarily hit out at the mothers. Many people are injured.

Finally, the bulldozers tear down the huts. Six farmers are arrested. Farmer Rumena Manurung is not found. Villagers search for her all night long. At last she is found, handcuffed and unconscious, down a three metre deep well, 500 metres from where the events had happened. The farmers of Sei Kopas still keep the handcuffs. They are inscribed with the police registration number 90404.

Background to the case of Sei Kopas:

The brutal assault on the inhabitants of the village of Sei Kopas in March 2007 illustrates the way in which palm oil companies in Indonesia manage to get hold of land. This is not a unique case. It stands out amongst thousands of land conflicts over oil palm plantations primarily because an Indonesian television team happened to be in the village and filmed how bulldozers belonging to Bakrie Sumatera Plantations (BSP) destroyed the fields, tore down huts and in the process were 'protected' by police officers from the Mobile Brigades and criminal gangs.

The conflict between BSP and the village of Sei Kopas (Kisaran Department, Asahan District, North Sumatra Province) had a long previous history. In first the first land grab against the people of Sei Kopas predated the founding of BSP, which was set up after the (for the company) successful takeover of land in 1983. The now third largest Indonesian palm oil producer was thus born amongst fraud, intimidation and violence.

Anyone who takes the plane from Jakarta towards Medan can see mile after mile of monotonous monocultures. Somewhere below lies Sei Kopas, encircled by oil palm plantations.



Monocultures as far as the eye can see – View from 10 km above Kisaran Department in North Sumatra
Google Earth, viewed 10th June 2009

Fifty years ago, the land was covered in rainforest. Poor peasant families cleared a piece of forest, set up rice paddies and founded a village. In 1980, the village was registered, which made the villagers legitimate land owners. Just three years later, a company suddenly appeared. Without prior consultation or the consent of the population, the company planted many hundreds of hectares of oil palm. This company formed the basis of the future Bakrie Sumatera Plantations.

During Suharto's dictatorship, the population did not know how to resist and how to demand the return of their land. This changed when Suharto resigned in 1998. Now it became apparent that BSP had no permit for a plantation. The governor of North Sumatra refused to retrospectively grant them a permit. In 1999, however, a licence suddenly appeared, when Aburizal Bakrie took on the leadership of the family holding Bakrie & Brothers. A legal process started by the farmers of Sei Kopas was disadvantageous for them. They had lost their land for good. During the following years, the company expanded, following the same pattern. For many years, BSP has made the Mobile Brigades of the police work for them. Families are threatened if they try to work on their rice paddies, heavy machinery destroys the fields. People react with land occupations and demonstrations. BSP retaliates with intimidation, terror and violence. In February 2005, for the example, BSP's security company together with the police in Asahan Village attacked the village, tore down huts and injured seven farmers.

Numerous mediation attempts by local politicians failed. An appeal by the Parliament to cease the terror against the population remains ineffective. An inspection by the National

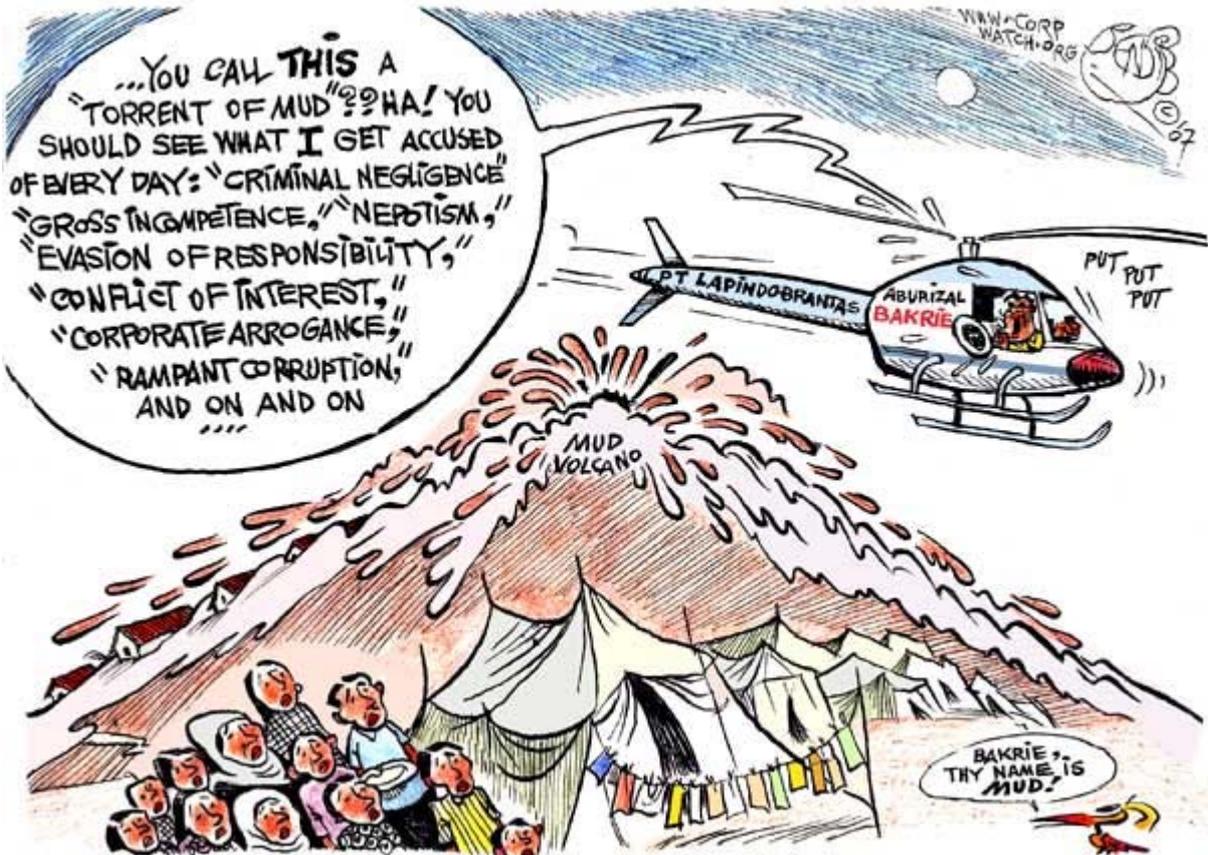
Police and by the National Human Rights Commission brings no results. Aburizal Bakrie meantime becomes Minister for Business and Industry.

On 17th February 2006, the bulldozers return, with them some 50 of BSP's security officers, amongst them police officers from the Mobile Brigades, the army, security services and hired criminals with firearms. Dozens of women farmers have to watch their rice paddies being destroyed. Seven women stand in front of the bulldozers. They are beaten by the armed forces. The women resist by opening their clothes in order to shame the security forces. This has no effect; they are scorned and chased away. The women escape onto trees but are brutally pulled down. One woman, Herliana Marbun, registers a criminal charge. So far, the attackers remain unpunished.

Since the start of the 'biodiesel boom' the hunt for land has become ever more brutal. Aburizal Barkie is now Minister of Social Welfare and watches his plantation company acquire land through violence, at the expense of ordinary peasant families. The attack in March 2007 has been the most violent so far.

Lapindo mud volcano in Sidoarjo

The scale of the catastrophe becomes apparent only from the air: A layer of mud has covered sixteen villages, schools, rice paddies, even the motorway to Surabaya. More than 50,000 people who lived here until three years ago have lost everything. People continue to survive in tents. They see themselves as victims of Indonesia's biggest environmental scandal.



(Cartoon: Corporate Watch)

End of May 2006: Lapindo Brantas, a company which belongs to the Bakrie Group, drills 2845 metres deep during gas explorations. On 29th May, hot water suddenly pours into the bore hold under high pressure. From a depth of 2,000 to 3,000 metres, 1 million cubic metre of toxic mud shoot up to the surface. Four villages are quickly flooded, one hundred people die, some 12,000 lost their homes. They require medical treatment after inhaling poisonous sulphuric fumes.

Attempts to block the mud volcano fail. The volcano spews ever more mud; more and more villages disappear under the mud flow. It stinks of sulphuric fumes. Scientists predict that the mud volcano will remain active for years to come. British consultants at GeoPressure Technology suggest that it could continue for up to 140 years.

It may never be able to show with certainty whether the catastrophe had natural causes or was the result of human activities. Bakrie insists on natural causes, most scientists, however, see it differently. Medco Energy, the company responsible for supplying the technical equipment, has stated that Lapindo Brantas had not properly secured the bore hole.

Bakrie has largely divested itself of all responsibility, by selling Lapindo Brantas for one dollar. Most victims are still waiting for compensation. Much of the promised payments of 250 Euros continue to be delayed. Some of that money has reached the victims and has been used to rent flats. Money for new rice paddies and thus for creating new livelihoods are not on the table. Bakrie maintain that the victims themselves are at fault since, according to the company, they do not have land titles. Bakrie Group will not have to pay for the destruction of infrastructure. The state will have to pay for this, as it does in the case of natural disasters.

Methane is leaking from various places and fires erupt frequently. People are scared. The threatened villages, however, have not been resettled because, according to Bakrie, it is not clear who or what caused the disaster. During natural disasters, emergency help must be granted at the most. And Indonesia has many natural disasters: Forest fires, landslides, floods, drought. During 2006, when the mud volcano erupted, environmental and human rights organisations counted 840 environmental disasters leading to 7,303 deaths, 1,140 people disappearing, three million refugees or 'displaced persons', and around 750,000 destroyed houses. In the light of such figures, the 'world's fifth biggest natural catastrophe', according to the Time Magazine, is just one case amongst many.

Yet the mud volcano is a special case. By its nature it is exceptional, unique, long-lasting. More and more voices are heard which describe the Lapindo mud volcano as a test case for public and company responsibility. What value is put on human lives in Indonesia if a company can destroy the livelihoods of thousands of people, break laws and violate human rights, ask more than only the victims. In February 2009, the national Human Rights Commission finally published its report. This states that Bakrie has violated 14 human rights articles. Now it remains to be seen what position Bakrie will take. If it continues to evade its responsibilities, the public mood could change.

Bakrie Sumatera Plantations

PT Bakrie Sumatera Plantations (BSP) is a palm oil and rubber subsidiary of one of Indonesia's largest business holdings, the publicly listed PT Bakrie & Brothers, which also includes Indonesia's largest coal mining, telecommunication, agro-industry and property businesses. BSP was founded in 1983; it emerged from modest beginnings to the - in terms of

market value – tenth largest Indonesian agro-industry group in 1997, the fifth largest in 2008 and the third largest one in 2009.

Principal activities of Bakrie Sumatera are agro-industry, processing and trading agricultural and industrial products, namely rubber and crude palm oil. Until 2007, BSP had plantations in Jambi, North and West Sumatra, all three provinces on the island of Sumatra. Three crude palm oil refineries in Java and Sumatra produce RBD olein (*Refined, Bleached and Deodorized palm oil*), fatty acid and stearin. The main German dealer is Centrotrade Deutschland GmbH. But even the beginnings of the company were under the shadow of evictions and violence, and local communities have lost their land. (See about the village of Sei Kopas). Daily workers on Bakrie's plantations sometimes earn less than one dollar a day.

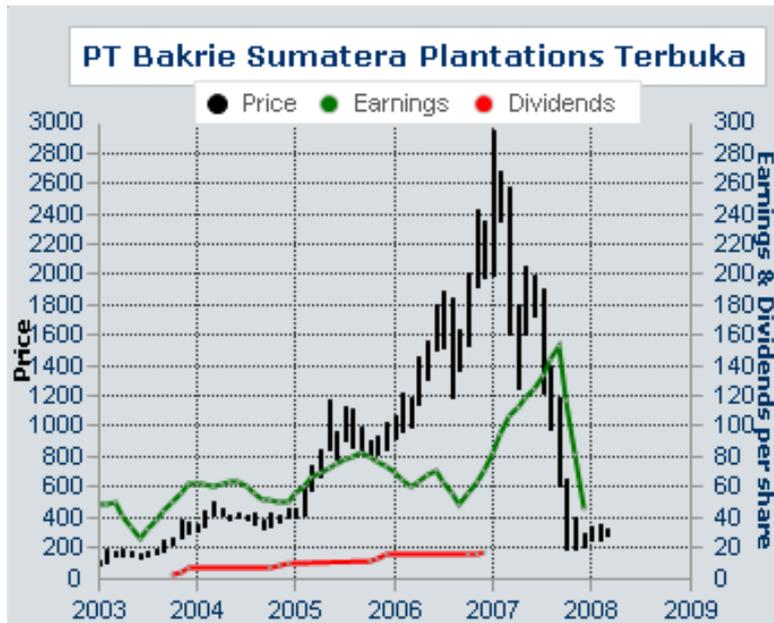
During the Asian crisis in 1997, BSP got into trouble. But after a successful debt restructuring process of PT Bakrie & Brothers in 2001 (see below about the Bakrie Group), with foreign stakeholders coming in, BSP began to grow. Responding to the European agrofuels boom, BSP developed ambitious expansion plans. 2007 was a great year for palm oil producers in Indonesia. Demand was high, and prices for palm oil surged to record levels, almost doubling compared to the previous year, and the Indonesian government paved the way for becoming the world's largest palm oil producing country.

Bakrie Sumatera jumped onto the train and took a huge step forward to become one of the top palm oil producers in Indonesia. First, it realised parts of its expansion plans by acquiring five oil palm plantations, in addition to its already existing plantations in North Sumatra, West Sumatra and Jambi. Through the acquisitions, Bakrie Sumatera increased its operation area (from 53,000 hectares in 2007 of both palm oil and rubber) up to 70,000 hectares dedicated to oil palms alone (2008: 67,745 hectares). With the expansion, the company was aiming to nearly double its palm oil production in just one year, from 180,000 tons in 2007 to 340,000 tons in 2008.

Secondly, it started building an agrofuel (biodiesel) refinery on the island of Batam, through its subsidiary Bakrie Rekin Bio-Energy, a joint venture of BSP (70%) and state owned Rekayasa Industri (30%). This is the second of dozens of planned large agrofuel refineries, after the Wilmar plant in Riau, which are oriented towards producing agrofuels mainly for the European market.

Thirdly, Bakrie Sumatera is aggressively pushing for expansion. This can not be achieved through the acquisition of existing plantations alone, but involves clearcutting of Riau's, Borneo's and Papua's remaining forests, going hand in hand with land grabbing. Bakrie Sumatera is well on the way to tripling its plantation area over the coming three years. According to M Iqbal Zainuddin, director of business development of BSP, the company is targeting 200,000 hectares by 2011, and 50,000 hectares new plantations are expected to be added every year. (M Iqbal Zainuddin at World Palm Oil Summit in Jakarta, May 2008)

High demand and high prices in 2007 aroused Bakrie's appetite and, ironically, falling prices since then have had the same effect: They apparently force Bakrie to expand in order to be able to repay loans and/or to invest in coal, rubber, communication. Despite declining palm oil price since 2008, increasing production had led to an increase in income during the first quarter of 2008. Bakrie Sumatera was able to book a 794 percent increase net profit to Rp 18.5 billion (US\$ 1.99 million) during that period, compared with the first quarter of 2007. 2009 saw a similar development of profit margins after some heavy ups and downs.



Source: <http://www.corporateinformation.com/Company-Snapshot.aspx?cusip=C366AP550>

Not surprisingly, the global demand for palm oil and agrofuels encourages the company to expand even into forested and untouched regions. In 2008-2009, BSP was able to secure land rights over ‘conversion forest’ (forest which is intended by the Department for Forestry to be converted to agricultural use and therefore open to clearcutting. Other forest status are “production forest” – for logging, but not clearcut, - and “protected forest”), mainly in Kalimantan (the Indonesian part of the island of Borneo) and Papua (the Indonesian part of the island of New Guinea). Today, BSP is holding land rights over more than 100,000 hectares, including the above mentioned 70,000 hectares of active plantations.

The planned expansion which requires an investment of \$ 260 million will be partly financed by Bakrie’s own subsidiary Sentosa Persada. According to BSP’s chief executive Ambono Janurianto, \$ 30 million come from Bakrie Sentosa Persada, \$ 80 million from an international financial consortium of foreign investors through the newly constructed Indo Green International (of which Bakrie Sentosa Persada owns 31%), and the remainder from local bank loans.

In February 2009, BSP even unveiled preparations for the acquisition of 200,000 hectares in Africa, especially in Liberia, a country which has been torn by civil war for two decades. Liberia is still governed by the United Nations, and the UN is said to support Bakrie during the investment process.

(http://us.en.vivanews.com/news/read/26990-bakrie_sumatera_aims_liberia_for_palm_oil)

In response to European demand for certified palm oil for the agrofuel sector, Bakrie Sumatera Plantations has applied for an assessment of five old plantations (Serbangan, Sei Baleh, Gurach Batu, Tanah Raja and Kwala Piasa of BSP’s Kisanan Unit) in the province of North Sumatera, covering 6,880 hectares, and one palm oil mill with a capacity of 243,000 t per annum. In the near future, once the auditing process has been completed, Bakrie will be able to satisfy Europe’s desire for labels with RSPO (Roundtable on Sustainable Palm Oil) certified palm oil coming from plantations with unsolved human rights violations and decade-long conflicts over land rights. (For the BSP certification assessment see: [Public Notification on upcoming RSPO Certification Assessment of PT Bakrie Sumatera Plantation Kisanan Unit, North Sumatera, Indonesia in English \(56 kb, PDF\)](#))

Bakrie Sumatra Plantations Directors and Board Will be held responsible in coming land rights conflicts		
Ambono Janurianto	Chief Executive	
Harry Mohammad Nadir	Finance Director and Director	
Howard James Sargeant	Operations & Estate Director and Director	
M. Iqbal Zainuddin	Business Development Director	
Bambang Aria Wisena	Production Director, Commerce Director and Director	
Soedjai Kartasasmita	BOARD	
Gafur Sulistyono Umar	BOARD	
Yuanita Rohali	BOARD	
Bungaran Saragih	BOARD	
Soedjai Kartasasmita	Chairperson of the Supervisory Board	

Source: <http://investing.businessweek.com/research/stocks/people/people.asp?ric=UNSP.JK>

The Bakrie Group

The Bakrie case offers an interesting insight into the intertwining of politics and business in Indonesia, a lesson to be learned about business practices in Indonesia, based on the exploitation of Indonesia's valuable resources for the benefit of individuals and the lack of will to build a consolidated and responsible economy, and, last not least, provides data on the involvement of international capital in environmental destruction and human rights abuses.

The Bakrie Group is one of Indonesia's oldest companies. It was founded in 1942 by Achmad Bakrie and may be considered the most controversial and likewise the most successful company with an originally Indonesian background, amidst mostly Chinese dominated Indonesian business groups.

Aburizal Bakrie, son of founding father Achmad, led the Bakrie Group to its current position. Grown up inside the inner political power circle of the Suharto regime, Aburizal Bakrie made clever use of the commodities most important for economic growth of developing countries: Mineral resources (coal), agro-industry (palm oil and rubber), housing and investment (property), energy (gas and oil), and communication (mobile phones). He led the group until 2004, when he had become Minister of Business and Industry and left the position as chief executive to other members of the family. One year later, after a cabinet reshuffle in 2005, Bakrie was appointed coordinating minister of social welfare.

Bakrie Sumatera Plantations is only one arm of the Bakrie & Brothers empire, which is mainly owned by the family of Indonesia's Minister of Social Welfare. In addition to BSP, the holding Bakrie & Brothers is a major stakeholder of PT Bumi Resources (coal), PT Bakrieland Development (property); PT Energi Mega Persada (energy), and PT Bakrie Telecom (mobile phone operator).

In 1997, during the Asian financial crisis, Bakrie & Brothers seemed close to collapsing. The group was unable to pay its \$ 1.2 billion – mostly foreign - debt. Aburizal Bakrie, at that time head of Kadin (Indonesia's Chamber of Commerce), went through a tough restructuring process. Bakrie's creditors, including Deutsche Bank, Dresdner Bank and Westdeutsche Landesbank Girozentrale – finally approved a debt restructuring process in 2000. An exchange of debt for equity deal transformed the creditors into owners through a „master

special purpose vehicle“ through which the creditors owned 80% of Bakrie’s most important assets in Bakrie: Sumatera Plantations, Bakrie Electronics Company, Bakrie Kasei Corp, Arutmin Indonesia (coal), Dan Iridium LLC.

With regard to palm oil, former creditors owned a 52.4 % stake in PT Bakrie Sumatera Plantations. It is not transparent how Bakrie has been able to buy back all assets in a very short time, and has now risen to such height, „ascending into the sky“, as Bisnis Indonesia writes. Thus, international banks still have a deep interest in his ambitious exploration plans and will have difficulties to apply to their social, environmental and corporate responsibilities. (see also <http://www.thejakartapost.com/news/2000/11/29/bakrie-creditors-approve-108-billion-debt-deal.html> and <http://web.bisnis.com/artikel/2id1659.html>)

Bakrie & Brothers were severely hit by the Asian crisis. After converting some of the debt into equity in 2001, Bakrie recovered to new heights. The same seems to be true for other obstacles. The eruption of the mud flow in East Java on 29th May 2006, which has inundated 12 villages and displaced more than tens of thousands of inhabitants, (see above about the Lapindo mud volcano) obviously did not harm the Bakrie empire. On the contrary, Aburizal Bakrie emerged a year later as Indonesia’s richest man on the Forbes list.

Bakrie’s 2007 position as Number One of Indonesia’s richest is due to their aggressive expansion into coal business. Soon after the restructuring process, Indonesia experienced an emotional campaign against foreign industries, with called for nationalizing the country’s resources. While foreign firms faced heavy pressure to get out of the natural resources sector, Bakrie was the winner; their coal unit Bumi Resources was able to buy 80% of PT Arutmin Indonesia in 2001, and in 2003, Bumi Resources bought PT Kaltim Prima Coal from BP and Rio Tinto. Since then, coal is Bakrie’s golden goose, and Bakrie’s Bumi Resources are Indonesia’s biggest coal producer.

Since 2008, Bumi Resources has held the majority of shares in the Australian mining company Herald Resources, and this year, in January 2009, they bought three Indonesian coal mining companies at five times the market value, with European and US money, as part of a new debt restructuring and business consolidation process, amidst a global capital crisis which has hit so many national economies. Meanwhile, the Sei Kopas and Sidoarjo cases remain unresolved, and the people have lost everything, while a senior politician may reach the sky again.