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Comments on

FOREST BASED INDUSTRIES IN NDONESIA

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Bahan Diskusi Terbatas dalam Lingkungan Departemen Kehutanan dan CGIF di Jakarta, 10 Mei 1990

1. As a sector, forestry (includes forest based industries) has to contribute to the national development, through : increasing income and employment, improving distributions of income and employment, and maintaining natural resources and environment. In the other words, to enlarge national economic activity, and at the same time to sustain natural resources and environmental capacity.

2. Based on sectoral obligation mentioned above, the wood based industries, in the next step of national development, have to promote the development of :

   2.1. Down stream industries; because of their higher added value (increasing gross income, employment and the distribution). It means increasing economic activity/capacity without increasing natural resource exploitation and environmental disturbance.

   2.2. Diversified industries; which utilize iddle resource and materials, or what we call it now : wastes.

   2.3. Small scale industries ; which have higher regional multiplier effects and better distribution of income and employment, and further effect to national/regional economic stability and security.

   Developing the small scale industries, it does not need to focus on the traditional products only, such as charcoal, lumber for local housing, etc., because they are limited to local demand. It is better to develop the small scale industries as counterparts of the modern or advanced industries. The industries could produce intermediate products, such as parts of meubelairs, chips, papermils, etc.

3. If we are talking about forest based industries, we have to include non-wood industries, beside wood industries. The non-wood industries, which also include plants, animals and many intangible benefits, do have a huge potential in increasing national economic capacity, while do not significantly hurt national resource and environmental capacity.

   The non-wood industries, such as national parks, forests park, wildlife breeding, if managed properly, have high economic rentability, high economic multiplier effects to regions, and good distributions of regional economic activities.

4. The investment in non-wood industries described above, is still low, and it means that the non-wood industries still have high marginal efficiency of investment.

   The government has to make the investment attractive and the procedure easier, not by giving any subsidy, but promotion through the Investment Coordination Board (BKPM) and the National Development Planning Board (BAPPENAS).

   It will be no matter, if some of these non-wood industries may be coordinated by other department, such as Departement of Tourism, etc.

5. Last but no least, it seems to me that the forest sector development proposed by the FAO-DITJEN PH Team had been projecting the forest sector based only on what had been happening in the past, but did not clearly consider what the economic structure of the forest sector in the future should be.