6.1 Conclusions

Based on the analysis of the Input-Output Table of Riau Province in 2010, the role of pulp and paper industry in the economy of Riau Province can be conclude as follows:

1. In the output structure, pulp industry value is 35,525,195 million rupiah while paper industry value is 4,233,851 million rupiah. In the demand structure, the intermediate demand for pulp industry is 16,591,780 million rupiah while for paper industry is 2,446,353 million rupiah. The gross value added for pulp industry is 18,211,169 million rupiah while for paper industry is 2,323,999 million rupiah. As for the investment, pulp industry value is 647,874 million rupiah while paper industry value is 228,476.99 million rupiah. The value of nett export-import for pulp industry is 17,494,714.99 million rupiah while for paper industry is 666,256 million rupiah. Overall, the value of pulp industry is higher than paper industry in term of output structure, demand structure, gross value added, investment, and export-import.

2. Based on the linkage analysis, pulp industry has higher linkages to other sectors or to the sector itself whether directly or directly and indirectly than paper industry.

3. Judging from the dispersion analysis, pulp industry has the high ability to attract upstream sectors with a value of 1.10025 and has the low ability to attract its downstream sectors by 0.91889, while paper industry has low
capability to pull and push the upstream and downstream sectors by 0.92871 and 0.96581.

4. From the multiplier analysis, the output multiplier Type I and Type II for pulp industry are 1.86955 and 1.94717 while for paper industry are 1.32322 and 1.64358. As for income multiplier Type I and Type II, pulp industry has the value of 1.86955 and 2.00383 while paper industry has a value of 1.09145 and 1.16984. Therefore, pulp industry has higher value of multiplier than paper industry.

5. Through the TOM and TIM analysis, pulp industry ranked sixth in key priority sectors while paper industry ranked eighteenth. Pulp and paper industry has the ability to stimulate the economy of Riau Province so both should be developed further to improve the economic growth of Riau Province.

6.2 Suggestions

From the Results and discussions, can be given suggestions on the economy of Riau Province:

1. Pulp and paper industry is one of the key sectors in Riau Province that must be developed further by the government. The integration in pulp and paper industry will improve efficiency but will reduce the value of backward and forward linkages both to the upstream and downstream sectors. Paper industry needs to develop the innovation driven to reach efficiency without diminishing the value of backward and forward linkage to other sectors, so
every increased in pulp and paper industry will also has impact to other sectors.

2. The government of Riau Province should utilize the extent forest area of the Riau Province as a major supporter of pulp and paper industry through the provision of inputs. Alternative raw materials of non-wood include farm waste or agricultural waste, such as palm, bamboo, and straw should be developed further. This raw materials and the use of wasted paper as input not only will help to meet the national and international demands for paper, but it also can create environmental sustainability and cost efficiency of production.

3. The government should facilitate the cluster teams in order to synergize the core industries, supporting industries and related industries in order to improve the durability of the internal market and competitiveness in the global market. Formation of clusters of institutional collecting scrap paper, starting from scavengers, collectors, until the big shanties, in order to facilitate raw materials from local sources.

4. Licensing system and the business climate should be simplified so that the pulp and paper industry could grow through investment. Relevant agencies such as the forestry department and local governments should be able to coordinate with relevant parties such as the Badan Koordinasi Penanaman Modal (BKPM), Badan Koordinasi Penanaman Modal Daerah (BKPMD), Local Government of Riau Province, and Department of Finance to be able to attract investors.