



Community
Alliance
for Pulp-Paper
Advocacy
(CAPPA)



Eksekutif Nasional



Kalimantan Selatan

Gemeinsame Presseerklärung

MIGA (*Multilateral Investment Guarantee Agency*) versichert keine Investitionen in die Zellstoffmühle von *United Fibre System* in Südkalimantan

Pünktlich am 53. Geburtstag der Provinz Südkalimantan am 14. August 2003 eröffnete Gouverneur Sjariel Darham offiziell den Bau der Zellstofffabrik im Kreis Satui, Bezirk Tanah Bumbu. Voller Stolz verkündete er überzeugt, dass die Fabrik von einem Konsortium aus acht Staaten finanziert werden würde, aus Österreich, Finnland, Schweden, Singapur, den Niederlanden, Deutschland, China und Frankreich (Kompas, 15 August 2003). Die erforderliche Summe für dieses Projekt betrage 1,2 Mrd. US\$. Umweltfreundliche Maschinen von hoher technologischer Qualität, entsprechend den Umweltstandards der Weltbank, würden eingesetzt werden.

Lokale, indonesische und internationale Nichtregierungsorganisationen (NRO) haben das Projekt kritisiert, vor allem zweifeln sie daran, dass es genug Holz gibt. Trotz ihrer harten Kritik ist dies den Entscheidungsträger in Regierung und in dem Unternehmen gleichgültig. In mehreren Gesprächen nannten sie die NRO-Kritik unbegründet und die NRO selbst Gegner der Entwicklungspolitik.

Einige Monate später war zu hören, die Finanzierung für die Zellstofffabrik werde „umgeworfen“. Das Konsortium aus den acht Staaten habe die Mittel noch nicht flüssig machen können und warte noch ab. Tatsächlich ist der Hauptgeldgeber ein Unternehmen aus der Volksrepublik China ohne Erfahrungen in der Zellstoffindustrie, aber mit Erfahrungen im Verkauf von Waffen! „Die Unternehmensleitung braucht zur Realisierung dieses Projekts eine Versicherung der politischen Risiken (*Political Risk Insurance*), wegen der hohen Risiken“, sagt Rivani Noor, Fazilitator der *Community Alliance for Pulp Paper Advocacy* (CAPPA). CAPPA ist ein Netzwerk von Organisationen und Einzelpersonen aus Indonesien und dem Ausland mit Sitz in Jambi. CAPPA arbeitet mit *Advocacy* und kritischen Kampagnen gegen die Zellstoffindustrie. Als Versicherungsagentur war die MIGA, *Multilateral Investment Guarantee Agency*, der Weltbank im Gespräch. Die Versicherung des politischen Risikos ist für das Projekt immens wichtig, um den ausländischen Geldgeber die Unterstützung durch eine internationale Institution demonstrieren zu können. Damit werden ihre Zweifel zerstreut, in die Zellstofffabrik zu investieren. „In den Werbebroschüren der Provinzregierung von Südkalimantan wird die

Weltbank als Geldgeber genannt. So soll das Projekt populärer gemacht werden. Das stimmt aber nicht, denn die Weltbank würde über die MIGA nur die politischen Risiken versichern“, fügt Rivani Noor hinzu.

Die Weltbank verfügt über zwei Institutionen für den Privatsektor, das sind die *International Finance Corporation* (IFC) und die MIGA. BRD und IDA arbeiten mit Regierungen, MIGA und IFC mit Unternehmen. Sie vergeben Kredite, Investitionsversicherungen und technische Hilfen. MIGA hat sich als neue Institution im Weltbanksystem relativ schnell entwickelt. Gegründet 1998, hat die MIGA seither etwa 300 Investitionen in 52 Staaten versichert, meist in Staaten, die dabei sind, ihr Finanzsystem zu liberalisieren.

„Aus den Informationen auf der Website von MIGA bzw. Weltbank zu geplanten Investitionen in Indonesien und aus ihrer Korrespondenz geht hervor, dass die MIGA in das Zellstoffprojekt in Südkalimantan involviert war. Dort hieß es, die MIGA habe die Untersuchung der Umweltauswirkungen (AMDAL) vom Oktober 2003 abgesegnet“, sagt Berry N. Forquan, Exekutiv Direktor von Walhi Südkalimantan. Dann würde die MIGA die *Provision of Political Risk Insurance* in Höhe von 1,2 Mrd. US\$ für die Zellstofffabrik in Südkalimantan zur Verfügung stellen. Berry zufolge ist „die *Political Risk Insurance* äußerst wichtig, die ausländischen Investoren zu überzeugen.“

Dr. Stephanie Fried, Senior-Wissenschaftlerin und stellvertretende Leiterin von *Environmental Defense*, einer gegenüber ausländischen Investitionen in Entwicklungsländern kritischen NRO aus den USA mit 300.000 Mitgliedern, bestätigt dies. „Die Projektleitung braucht die *Political Risk Insurance*, um die ausländischen Finanziere überzeugen zu können, dass internationale Institutionen, z.B. die MIGA, die Zellstofffabrik in Südkalimantan unterstützen.“

Deswegen haben sich einige NRO, Wahana Lingkungan Hidup (WALHI) von Südkalimantan, WALHI Indonesia, die Community Alliance for Pulp Paper Advocacy (CAPPA) und Environmental Defense zusammengeschlossen und die Umweltanalyse AMDAL analysiert. Dann haben sie sich mit einem Protestbrief an die Weltbank in Washington DC, USA, gewandt. (Brief an die Weltbank siehe Anlage I)

In diesem Brief an den Direktor der Weltbank, James D. Wolfensohn, stellen die NRO die AMDAL-Analyse im Detail und die Rolle des Mutterunternehmens in Singapur dar. Sie zeigen auf, dass die Versorgung mit dem Rohstoff Holz keineswegs sichergestellt ist. Sie gehen auf die Folgen der Industrie für die lokale Bevölkerung ein sowie auf die Überlappungen und den Weg aus dem Aufforstungsprogramm unterschlagener Gelder ungeklärten Rechtsstatus der beiden Firmen PT MBBM (Marga Banua Bumi Mulia-PT HRB (Hutan Rindang Banua) und PT MHB (Menara Hutan Buana). Mit eindeutigen Argumenten fordern die NRO die Weltbank auf, die Planungen für Investitionen in das Zellstoffprojekt in Südkalimantan zu stoppen. Dieser Protestbrief wurde von 65 NRO aus 19 Ländern getragen und unterschrieben, außerdem protestierten mehr als 2000 Personen per E-mail gegen die Zellstofffabrik in Südkalimantan.

Der Brief der vier NRO war an die Weltbank und die Regierungen der CGI-Staaten (*Consultative Group for Indonesia*) adressiert. Die US-amerikanische Regierung, bzw. das Finanzministerium (*Department of Treasury*), zeigte sich an der Analyse der NRO interessiert. Am 21. Januar 2004 antwortete die MIGA den NRO (siehe Anlage II). MIGA

schreibt, der Brief sei bei der Entscheidungsfindung in Sachen Zellstoffprojekt Südkalimantan sehr hilfreich. Außerdem stellt MIGA fest, dass sie glauben, es sei für Privatinvestoren wichtig, ökonomische, ökologische und soziale Probleme als Folgen von industriellen Operationen zu verhindern. Daher werde die MIGA das Zellstoffprojekt in Südkalimantan nicht unterstützen, solange keine hohen Entwicklungsstandards in die Praxis umgesetzt und den Aspekten der sozialen Folgen keine Aufmerksamkeit geschenkt werden. Man muss hinzufügen, die MIGA übernimmt keinerlei Versicherung, die Holzeinschlag in Tropenwäldern zur Folge haben.

Ende Februar schließlich hieß es aus dem US-amerikanischen Finanzministerium, die finanzielle Unterstützung der von *United Fibre System* (UFS), Singapur, geplanten Zellstoffmühle in Südkalimantan werde nicht debattiert werden. Gleichzeitig entfernte die MIGA das Projekt von ihrer Website. Das bedeutet, dass das 1,2 Milliarden-Projekt von Südkalimantan nicht mehr in der Warteschleife für eine Kreditversicherung ist und von der Agenda gestrichen ist. „Die Rücknahme der *Political Risk Insurance* der MIGA ist der Beweis dafür, dass das Projekt mit hohen Risiken belastet ist und dass es sehr schwierig ist, Institutionen zu finden, die es wagen, das Projekt zu versichern. Außerdem zeigt es, dass die Zellstofffabrik in Südkalimantan die Vorschriften zu Verhinderung von wirtschaftlichen, ökologischen und sozialen Risiken nicht einhalten kann“, sagt Dr. Stephanie Fried.

Der Rückzug der MIGA-Weltbank aus dem Zellstoffindustrieprojekt in Südkalimantan bedeutet für die NRO nicht, dass damit ihr Engagement beendet ist. „Denn das Zellstoffunternehmen (*United Fibre System/UFS*, Singapur) wirbt in Europa um andere Investoren“, sagt Nur Hidayati, Leiterin für Kampagnen und Öffentlichkeitsarbeit von WALHI:

Für die Provinzregierung von Südkalimantan hat der Rückzug der MIGA-Weltbank jetzt schon Folgen. Am 6. März 2004 berichtete die lokale Zeitung *Radar Banjarmasin*, der Leiter der Forstbehörde, Ir Sonny Partono, sei nicht in der Lage, das Finanzierungsproblem zu erläutern und gestehe nicht ein, dass die MIGA-Weltbank das Versicherungsvorkommen aufgegeben habe. (Zeitungsklipping Radar Banjard Anlage III)

„Zur Zeit sind WALHI Indonesia, WALHI Südkalimantan, CAPP und Environmental Defense dabei, Strategien und Kampagnen gegen die Zellstoffindustrie in Südkalimantan zu erarbeiten, damit der Restwald gerettet und die von faulen Investitionen zerstörte Umwelt verbessert wird und die lokale Bevölkerung ihre Rechte über die Naturressourcen wiedererhält“, sagt Rivani Noor.

Banjarmasin, 14. März 2004

- Wenn Sie Nachfragen haben, wenden Sie sich bitte an: -

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Anlage I

(Protestbrief von 65 NRO aus 19 Ländern an die Weltbank)

Letter to James D. Wolfensohn from 65 NGOs in Nineteen Countries Concerning proposed MIGA Guarantee for the Controversial \$1.2 Billion United Fiber System Pulp Mill in South Kalimantan (Indonesian Borneo)

AID/WATCH-Monitoring Aid and Trade (Australia) - AIDEnvironment(Netherlands) - Amici della Terra-
FOE Italy (Italy) - Amigos de la Tierra (Argentina) - Australian Conservation Foundation (Australia) -
Australian Focal Point for International POPs Elimination Network (Australia) - BanglaPraxis (Bangladesh)
- Bank Information Center (US) - Bretton Woods Project (UK) - BUND-Friends of the Earth Germany
(Germany) - Cairns and Far North Environment Centre (Australia) - Campagna per la Riforma della Banca
Mondiale (Italy) - CAPP (Indonesia) - Cessnock/Kurri Greens (Australia) - Chipstop (Australia) -
Environmental Defense (US) - Erklärung von Bern/Berne Declaration (Switzerland) - FERN (Netherlands) -
Finnish Asiatic Society and (Finland) - Finnish ECA Reform Campaign (Finland) - Finnish Indonesia
Society (Finland) - FoodFirst Information and Action Network-Gruppe Hamburg (Germany) - Forest Peoples
Programme (UK) - Forest Watch Indonesia (Simpul Kalimantan, Indonesia) - Forests.org (US) - Friends of
the Earth Australia (Australia) - Friends of the Earth Finland (Finland) - Friends of the Earth International
(Netherlands) - Friends of the Earth US (US) - Friends of the Siberian Forests (Russia) - Gesellschaft für
ökologische Forschung (Germany) - International Fund for Animal Welfare (Belgium) - International NGO
Forum on Indonesian Development (Indonesia) - Japan Tropical Forest Action Network (Japan) - Ketua
Persatuan Masyarakat Adat-PERMADA (Kassel, Indonesia) - KPSHK (Kalimantan, Indonesia) - LBH
KOMA (Indonesia) - Lembaga Pemberdayaan Masyarakat Adat-LPMA (Borneo Selatan, Indonesia) - Les
Amis de la Terre (France) - Like-Minded Environmental Activists Group (Bangladesh) - Mangrove Action
Project (US) - MAUJ (Pakistan) - Mines, Minerals & PEOPLE (India) - Missionary Oblates, Justice-Peace &
Integrity of Creation (US) - NADI (Indonesia) - Pacific Environment (US) - Pro REGENWALD (Germany) -
Probe International (Canada) - Proyecto Gato (Belgium) - Rainforest Action Network (US) - Rainforest
Information Centre (Australia) - Rainforest Relief (Australia) - Rettet den Regenwald e. V. (Germany) -
Robin Wood e.v. (Germany) - Sawit Watch (Bogor, Indonesia) - Society for Threatened Peoples (Germany) -
Sri Lanka Pugwash Group (Sri Lanka) - St George Greens (Australia) - The Wilderness Society-Newcastle
(Australia) - Urgewald (Germany) - Wahana Liar Foundation (West Sumatera, Indonesia) - WALHI (Jakarta,
Indonesia) - Watch Indonesia! (Germany) - World Economy, Ecology & Development-WEED (Germany) -
Zool. Gesellschaft f. Arten- u. Populationsschutz e. V.-ZGAP (Germany)

Mr. James D. Wolfensohn
President
MIGA
The World Bank Group
1818 H Street, NW
Washington, DC 20433

January 11, 2004

Dear Mr. Wolfensohn,

We are writing with deep concern regarding MIGA's proposed plan to provide a guarantee for the controversial \$1.2 billion United Fiber System/PT. Marga Buana Bumi Mulia pulp mill in Satui, South Kalimantan, Indonesian Borneo. We would like to draw your attention to four overwhelming concerns:

- (1) the significant overcapacity of Indonesia's paper and pulp industry and its links to rampant illegal logging;

- (2) the failure of Indonesia's pulp plantation sector, in general, and the specific problems associated with the plantations for the pulp mill proposed for MIGA support;
- (3) the potential impacts on the local communities near the proposed pulp mill site, including fishing communities; and
- (4) the fact that the majority of the finance for this \$1.2 billion project will be provided by the China National Machinery and Equipment Import and Export Corporation, a Chinese state-owned enterprise placed under sanctions in July 2002 by the government of the United States under the Chemical Biological Weapons Sanctions Law.

Given the World Bank Group's stated commitment to ensuring a sustainable forestry sector in Indonesia, we urge you to cancel plans for MIGA support for this ill-advised project.

Illegal Logging and Pulp Sector Overcapacity:

The Consultative Group on Indonesia (CGI) noted in its January 2003 "Donor Statement on Forestry" that Indonesia's estimated annual timber harvest is 73,000,000 m³, where 53,000,000 m³ come from illegal sources and the remaining 20,000,000 m³ is legal allowable cut."¹

In 2000, the CGI donor countries initiated a focus on the crisis within Indonesia's forestry sector. Their 2003 assessment notes that:

At that time [2000], illegal logging was at epidemic proportions and was having extremely serious and deleterious effect on the forest ecosystem and the welfare of communities dependent on forest resources for their livelihoods. Today, there appears to be little change other than an increase in the amount of illegal logging that is taking place, despite the high profile forestry has been given in the CGI.

The 2003 CGI report notes that Indonesia's timber consumption exceeds sustainable supply by 53 million m³/year, that court cases are manipulated and indefinitely postponed, that a climate of moral hazard exists, that protected areas are open for exploitation, and that governmental agencies are characterized by a lack of political will and show a "lack of interest and apathy" regarding illegal logging.

A 2000 report conducted by the Center for International Forestry Research found Indonesia's paper and pulp industry characterized by a reliance on "unsustainable, and in many cases, illegal sources of fibre, much of which is obtained through the clear-cutting of natural forests."² The CIFOR report identified as a key component of these illegal operations, the fact "international financial institutions have helped Indonesian producers to borrow billions of dollars from offshore investors without rigorously assessing either the long-term viability of those firms' fiber supplies or the legality of their financial practices."³

Given the substantial overcapacity of Indonesia's paper and pulp industry compared to the available legal sources of timber, representatives of CIFOR and the European Union-Indonesia Forest Liaison Bureau have called for the "downsizing and restructuring of [the] wood based industry to balance between supply and demand for raw material."

According to the International Crisis Group, an NGO chaired by former President of Finland, Martti Ahtisaari, with former Australian Foreign Minister, Gareth Evans as Chief Executive, "there has been a rapid

¹ "Donor Statement on Forestry," Appendix to DFF Paper for CGI Meeting, pg.1

² Barr, C. "Profits on Paper: The Political-Economy of Fiber, Finance, and Debt in Indonesia's Pulp and Paper Industries," CIFOR, 2000.

³ Ibid, pg 3.

upsurge of illegal resource extraction across the country since 1998."⁴ ICG finds that "the illegal resource industry is protected and sometimes even organized by corrupt elements in the civil service, security forces and the legislature."⁵ They recommend, in addition to "tackling the perpetrators and backers of illegal resource extraction, the government needs to address the sources of demand. In the case of timber, this means downsizing the Indonesian wood products industry, which grew so big in the economic boom of the mid-1990s that it now consumes far more than can be legally supplied by Indonesia's forests."⁶

Flawed Environmental Impact Assessment, Fraudulent Plantation Statistics, Impact on Fishing Communities

The limited EIA materials provided by the World Bank's Infoshop regarding this proposed Category A project provide a textbook example of Indonesia's astonishing forestry accounting practices.⁷

The section of the EIA titled "Availability of Raw Materials" (See Appendix A) is worth examining in detail. In the Executive Summary of the EIA, Table 1.7 (excerpted below) presents the area planted or to be planted by the controversial pulp plantation, PT. Hutan Rindang Banua (formerly known as PT Menara Hutan Buana) associated with the proposed mill. The full table extrapolates the projections of planting out to 2039.

Table 1.7. Schedule of Planting and Logging of PT HRB's HTI [Excerpts]

Year	Planting Year	Planting Area (ha)
1	1994/1995	6,116
2	1995/1996	7,568
3	1996/1997	15,992
4	1997/1998	38,442
5	1998/1999	7,641
6	1999/2000	0
7	2000/2001	0
8	2001/2002	0
9	2002/2003	0
10	2003/2004	20,000
11	2004/2005	20,000
12	2005/2006	20,000
13	2006/2007	20,000
14	2007/2008	20,000
15	2008/2009	20,000
15	2009/2010	20,000
16	2010/2011	20,000
17	2011/2012	20,000

But what the table and accompanying text do not state, is of far greater interest. By 1998, P.T. Menara Hutan Buana was the second-largest recipient of Indonesia's much abused zero-interest "Reforestation Fund" loans.⁸

⁴ ICG Asia Report No 29. "Indonesia: Natural Resources and Law Enforcement", December 2001, pg i.

⁵ Ibid, pg i.

⁶ Ibid, pg ii.

⁷ Environmental Defense's Hawai'i-Pacific Field Office requested EIA documents from the InfoShop and received only the Executive Summary of the PT. Marga Buana Bumi Mulia Pulp Mill and a brief document titled, "Supplement Information to the EIA Report" by United Fiber System. MIGA's Lead Environmental Specialist, Harvey van Veldhuizen, tasked with overseeing environmental aspects of the proposed project, has indicated that MIGA's environment office is "satisfied" with this EIA.

As recently as June 2002, the former owner of the pulp plantation, General Suharto's half brother, Probosutedjo was assuring investors that the plantation would be capable of supplying raw materials for the pulp factory on a routine basis.⁹

In October 2002, however, the Ministry of Forestry revoked the plantation concession rights of 15 companies found guilty of damaging the environment, including PT. HRB.¹⁰ By April 2003, Probosutedjo had been convicted and sentenced to four years in prison for lying to the Indonesian government about the extent of plantation establishment at this site, of utilizing highly exaggerated plantation figures to obtain interest-free Reforestation Funds, which were then deposited into his personal bank account, instead of being applied to plantation establishment.

In 1994/1995, the plantation company had claimed that 13,740 hectares of fast-growing pulp trees had been planted when, in fact, external auditors found that only 6,116 hectares had been planted. During the two-year period between 1995 and 1997, the company reported that 57,260 hectares had been planted when, in fact, only 23,560 were (7,568 hectares and 15,992 hectares in 95/96 and '96/'97, respectively). As the investigation into the company's misuse of the Reforestation Funds obtained as a result of over-inflated plantation claims began, the plantation rate more than doubled for one year to a reported 38,442 hectares for 1997/1998, then plummeted to 7,641 hectares in 1998/1999 and ceased entirely through 2002/2003, when Probosutedjo was convicted of corruption. The name of the company was changed to PT Hutan Rindang Banua and plans for the pulp mill continued.

According to Walhi-Jambi, an Indonesian NGO involved in paper and pulp research and forest protection, as of November 2003, the Indonesian Ministry of Forestry has still not granted the necessary plantation establishment permits to the company. According to Indonesian NGOs, company representatives have admitted that plantation timber supplies may well be insufficient to meet the needs of the mill. Company representatives have apparently told local communities that any shortfall of timber will be made up by imports from the United States, Malaysia, and Thailand. However, during a recent meeting with the Indonesian NGO network, CAPP, a Marga Buana Bumi Mulia manager stated that "if it turns out that our plantation supplies are insufficient, we will log the natural forest."¹¹

The Lead Environmental Specialist at MIGA's Policy and Environment Office has stated that MIGA support for this project will only be considered if there is certainty that 100% of the pulp supplies will originate from plantations which have not been established by the clearing of natural forest. However, in addition to the statements made by MBBM management to local communities, the timber supply projections found in the Executive Summary of the EIA, in a 2001 plantation assessment by Jaako Poyry, and an analysis carried out by a Singapore investment house bring this into substantial doubt.

In January 2001, Jaako Poyry Management Consulting evaluated the PT. Menara Hutan Buana plantation. Their calculations of the timber supply available from the plantations included the assumption that over 8 million m³ of natural forest mixed tropical hardwoods would be harvested over the first five years including "at least net 170 m³/ha of recoverable pulpwood remaining" in 44,000 hectares of natural forest to be converted into plantations. Jaako Poyry also assumed that from 2000 onwards, 23,500 hectares of plantation timber would be harvested annually.

GK Goh, a Singapore investment house, carried out a detailed financial analysis of the Poh Lian company and concluded, on the basis of site visits and interviews with company spokespeople, that 44,219 hectares of

⁸ CIFOR, C. Barr, "Profits on Paper: The Political Economy of Fiber, Finance, and Debt in Indonesia's Pulp and Paper Industries," pg 24, 2000.

⁹ Indonesian Business Perspective, Online. "Marga Buana Bumi Constructing US\$1.2 Billion Pulp Factory," June 2002.

¹⁰ Laksamana.Net, "Integrated approach to destruction", 11/29/02, pg 2. The company apparently sued to obtain return of its plantation license.

¹¹ Report by Rivani Noor, CAPP, 12/17/03. See also, Rivani Noor, Rukaiyah Rofiq, Berry Nahdian Forqan, Rahmat Sumarlin. "Transisi 2003 ke 2004: Membagi Racun dan Bencana ke "Pulau Masa Depan". December 2003.

mixed tropical hardwood (MTH) "will be logged to yield the cash needed to resume planting" the plantation areas.¹² The Goh analyst indicated that the "proposed pulp mill...will require 2.7m cu.m of wood per annum for the production of 540,000 tons of pulp. To meet this supply, HTI [plantation] needs to plant 22,500 per annum on an ongoing basis."¹³ The report indicated that the company would need 180,000 hectares, that is, more than the current 164,490 hectares available. The analyst concluded that "in the early stages of the project, logging the forest reserve in MHB will provide the cash to resume planting as well as to provide for other costs. The first part of the project to be constructed is the mill that will convert the logs into pulp. ... As we expect the existing MTH log stands to be sold to cover start-up costs, the mill will be dependent in part on externally sourced wood to meet the log shortfall pending full production of HTI [plantation]. We believe that it may have to import woodchips to avoid allegations of using illegal logged wood and enable it to sell its pulp in Europe."¹⁴ The analyst pointed out that the cost difference between "internally grown and externally sourced wood" was \$118.5/ton, a cost which "is not justified now as pulp prices are low," and estimated that the mill would not be able to run entirely on internally sourced fiber until 2015, and would only be able to do so if the significant challenge of soil nutrient depletion could be overcome to allow a second harvest of plantation timber after the first harvest had been made.¹⁵ The report states, "we believe that...Poh Lian will be able to achieve this profit level by selling logs from its MTH stands. We expect the company to do so in any case, to cover the cost of planting and financing cost of the loan drawn by discounting the advance payment bond, and other financing charges. Investors should be aware that this profit level is not sustainable..."¹⁶

The EIA analysis provided by the World Bank lists the plantation figures in Table 1.7 above without explanation and then extrapolates that the plantation rate will be 20,000 hectares per year between 2003 to 2039. Existing data shows that, during three of the five years of plantation operation (not counting the four years where no planting occurred at all), planting rates were less than half of 20,000 hectares. There was only one year when an area equal to or greater than 20,000 hectares was planted. It seems extraordinarily risky to assume that plantation establishment rates – given the documented failure of Indonesian timber plantations and the long history of misleading plantation statistics and illegal logging – will be achieved and maintained continuously at this level.

In addition, we are concerned that the installation of the proposed mill's initial production line of 600,000 tonnes/yr could lead to further expansion at the planned mill site. Recent history in Indonesia and other pulp producing countries show a clear pattern that pulp producers generally seek to expand the capacity at their mills once a production line becomes operational. For example, Indonesian producers like Asia Pulp & Paper and APRIL have also installed additional production lines even when they have not yet secured a fully legal and sustainable source of fiber. In the case of the proposed UFS mill, such expansion would place even greater pressures on South Kalimantan's remaining forests.

CAPPA, the Community Alliance for Pulp-Paper Advocacy, an Indonesian NGO network, documented four fishing villages, including those dependent on shrimp farming which are likely to have their fishing grounds impacted by waste from the proposed mill.¹⁷ The shrimp breeding grounds utilized by the local communities are a mere 400 meters from the proposed mill site. Local experience with a neighboring port built for a nearby coal mine has found severe impacts to fisheries associated not only with pollution from wastewater, but also from the tremendous increase in river traffic and associated water turbulence and large waves which place significant stress on the shrimp population. In addition, CAPPA's findings indicate that the proposed location for the mill is on an ancestral gravesite. According to CAPPA, the initial phases of obtaining land for the mill has led to community conflicts. The company still plans to obtain additional lands and local

¹² GK Goh, "Poh Lian Company Visit/Company Overview," May 25, 2001, pg. 2.

¹³ Ibid, pg. 2.

¹⁴ Ibid, pg. 2, 3.

¹⁵ Ibid, pg. 2, 3.

¹⁶ Ibid, pg. 3.

¹⁷ Report by Rivani Noor, CAPPA, 12/17/03.

organizations have expressed substantial concerns about the possibility of increased social conflict as a result.¹⁸

Chemical and Nuclear Weapons Trade

In December 2002, UFS announced that it had reached an agreement with the China National Machinery and Equipment Import and Export Corporation (CMEC) to obtain \$863 million in loans for its planned South Kalimantan mill. CMEC, which plans which has agreed to underwrite 80% of the mill's total development cost and to undertake construction jointly with UFS, is a Chinese state owned company with an average project worth over \$10 million and with no prior experience in the pulp industry.¹⁹ The company has, however, had extensive experience in other types of investments. In May 2001, Chinese trucks containing the company's components for Pakistan's Shaheen-I and Shaheen-2 missiles -- capable of carrying nuclear warheads with a range of up to 1,240 miles -- were detected by spy satellites as they crossed into Pakistan from China, in violation of "nearly 15 separate pledges Beijing has made."²⁰ In July 2002, the U.S. government imposed at least one year of sanctions under the Chemical Biological Weapons Sanctions Law and two years of sanctions under the 1992 Iran-Iraq Arms Non-Proliferation Act (which had never previously been utilized) against CMEC.²¹

Conclusion

Given the CGI donor countries' clear commitment to protecting Indonesia's forests from illegal and unsustainable logging;

Given the documented environmental abuses, fraudulent plantation establishment claims, and unreasonable accounting and forecasting practices of the plantation company which purports to provides the basis for the "sustainable" supply of plantation timber to this pulp mill;

Given the staggering over-capacity of Indonesia's timber processing facilities and the history of negative social and environmental impacts and significant social unrest associated with existing Indonesian pulp and paper production facilities; and

Given the chemical and biological weapons sanctions generated by the activities of the primary underwriter for the mill,

¹⁸ Ibid.

¹⁹ Business Times, "UFS' pulp mill project to help forestry dispute: US\$863m deal with a China firm seen as a plus in its Indon court battle," 12/25/02, Singapore.

²⁰ The Times of India, New Delhi, August 7, 2001, "US spies on Sino-Pak missile ties."

²¹ U.S. Department of State, Press Release, "U.S. Imposes Iran-Iraq Act and Chemical Biological Weapons Sanctions against Chinese and Indian Entities," July 24, 2002. The company was sanctioned under the Chemical Biological Weapons Sanctions Law "for a period of at least one year or until further notice." In 2002, the company was also one of the first companies ever sanctioned under the 1992 Iran-Iraq Act for "knowingly and materially contributing, through the transfer of goods or technology, to the efforts of Iran or Iraq to acquire chemical weapons or destabilizing numbers and types of advanced conventional weapons." The Iran-Iraq Act mandates that for a two year period after sanctions are imposed, "the U.S. government shall not procure, or enter into any contract for the procurement of, any good, services or technology from the sanctioned entities or persons, nor issue any license for any export by or to the sanctioned persons or entities."

We call upon MIGA to immediately cancel plans for support for this project.

Sincerely,

Stephanie Fried, Ph.D.
Environmental Defense (Hawai`i)

Rivani Noor
CAPP (Indonesia)

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Cc:

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Thomas Walton, The World Bank Group, Jakarta Office
Jan McAlpine, U.S. Department of State
Matthew Daley, U.S. Department of State
William E. Schuerch, U.S. Department of the Treasury
Keith Kozloff, U.S. Department of the Treasury
U.S. Senator Patrick Leahy
U.S. Senator Mitch McConnell
U.S. Representative Jim Kolbe
U.S. Representative Nita M. Lowey

Anlage II

(Brief des MIGA-Vize-Präsidenten zur Aufgabe des Versicherungsplanes)

January 21, 2004

Dear Ms. Fried,

On behalf of Mr. Wolfensohn, I would like to thank you for your letter of January 11, 2004, raising a number of concerns regarding the proposed United Fiber System (UFS) Pulp Mill Project in South Kalimantan, Indonesia. MIGA is strongly committed to encouraging sustainable development and we believe it is in everyone's interest to conduct a thorough analysis of our potential involvement in projects in the forestry sector. We therefore thank you for your inputs, which will help us make more informed decisions about the pulp mill project.

MIGA carries out rigorous due diligence for each of the projects it considers supporting, because we believe it is essential for private investment to avoid producing undesirable economic, environmental and social consequences. We are currently conducting our own independent analysis on them any complex issues surrounding the pulp mill project and have requested additional information from the investor. You can be assured that we will not propose supporting the project until we are fully satisfied that all issues are addressed adequately and that the project meets our high standards of being developmentally sound and environmentally and socially sustainable.

We would be grateful if you would kindly share this letter with the other signatories to your letter.

Sincerely yours,

Luis Doderio
Acting Executive Vice President
MIGA

Anlage III **(Kliping Radar Banjar)**

Radar Banjarmasin 6 Maret 2004

Aus für Zellstoffmühle?

Banjarmasin. Wenn die Informationen stimmen, sind die Aussagen des Gouverneurs von Südkalimantan zur Finanzierung der Zellstofffabrik nur leeres Gerede.

(Exzerpt: die Genehmigung für den Bau liegt noch nicht vor; laut Forstbehörde werde noch verhandelt, es gebe aber keinerlei Problem bis auf die Erteilung der Einschlagskonzession, doch die Investoren brauchten sich keine Gedanken wegen Rohstoffnachschieb zu machen, da die Forstbehörde genug Flächen bereitstelle; die Weltbank werde für Akazienplantagen der Bevölkerung Geld zur Verfügung stellen)

Kabarnya pendirian Pabrik Pulp yang rencananya akan didaerah batulicin, Kabupaten Tanah Bumbu, bekelan terkendala. Bahkan , diprediksi Proyek bernilai Miliaran rupiah ini gagal terwujud .Pasalnya selain terganjal persoalan perizinan bhan baku juga menjadi masalah .Menurut sumber Radar Banjarmasin yang layak dipercaya, izin pembangunan pabrik Pulp masih saat ini masih belum beres .Apabila kebijakan yang dikeluarkan oleh pemerintah pusat selalu berubahubah,hingga membuat investor menjadi ragu untuk menentukan sikap .

Namun ,kadis kehutanan kalsel Ir Sony Partono saat dikonfirmasi soal ini dengan tergas membantah ia mengaku persoalan pabrik Pulp masih dalam negosiasi ,Dengan tergas Sony membantah kalau rencana pendirian Pabrik yang akan menampung ribuan tenaga kerja itu batal .

Sebaliknya, Sony mengatakan bahwa urusan pabrik sudah tidak ada masalah lagi,” sekarang ini hanya tinggal persoalan HPH saja. Investop Masih menunggu kepastian izin dari Pusat ,” jelasnya baru baru tadi sedangkan Untuk bahan Bsku ,kata Sony, para investor tidak perlu Khawatir sebab, pihak kehutanan sudah menyidiaakan 15 ribu , hektar untuk keperluan Industri.Lahan ini akan dijadikan, hutan rakyat dan di kelola secara penuh oleh masyarkat .

Pengembangan hutan rakyat sendiri akan difokuskan pada tanaman akasia. Tanaman ini selain cepat tumbuh juga menjadi bahan dasar utama Pulp .tanaman ini akan diprioritaskan pada kawasan Kotabaru,tanah Bumbu , dan Tanah laut .Namun realisasi pengembangan hutan rakyat ini ternyata masih menunggu kucuran dana dari Word Bank yang masih belum jelas berapa besarnya .Sedangkan dana dariAPBDsaebesar yang di alokasikan dirasanya masin kurang .

Selain belum adanya kejelasan soal pabrik pulp, persoalan moratorium ternyata belum jelas .Meski diakui Sony pihaknya sudah mengusulkan Kepusat namun hingga sekarang belum ada kepastian soal ini. “Kami masih memperjuangkan, apabila ada Provinsi lain yaitu Jawa Timur yang juga menginginkan moratorium .Jadi tunggu sajalah keputusan pusat ,”ujarnya.