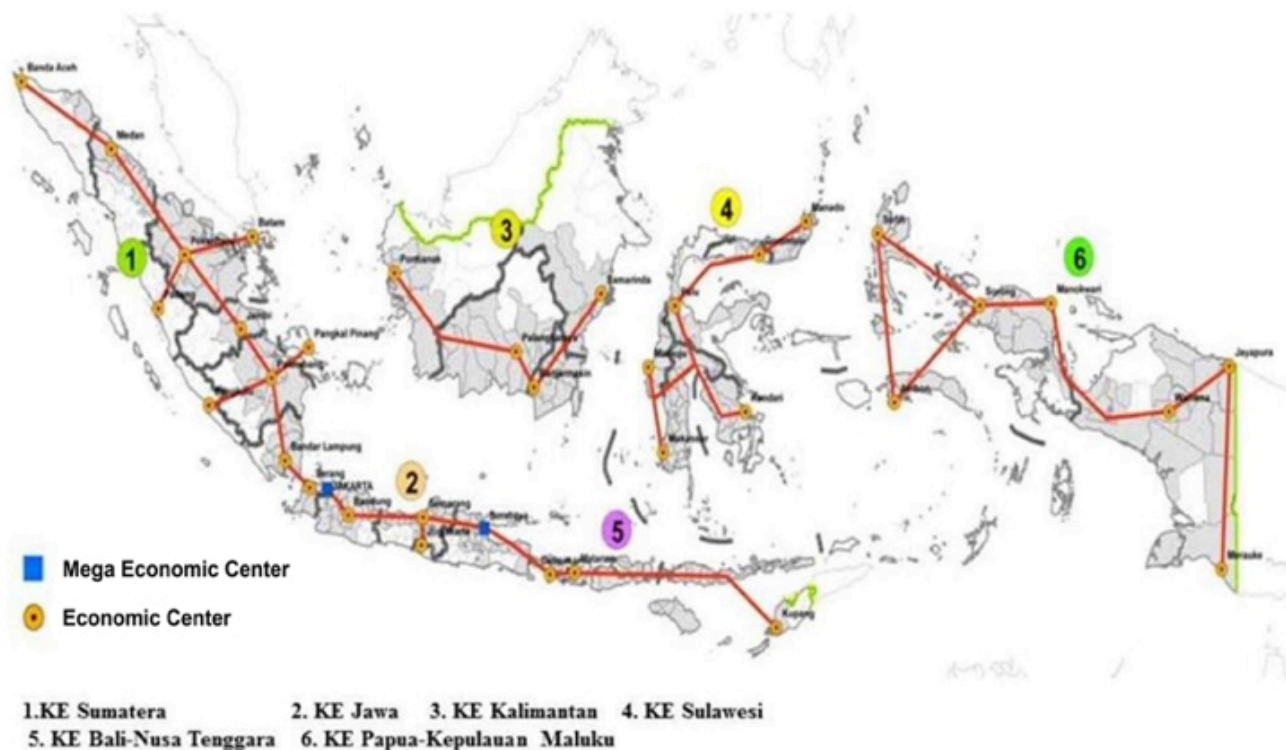


Indonesia's Economic Master Plan (MP3EI) and its impact on Sulawesi



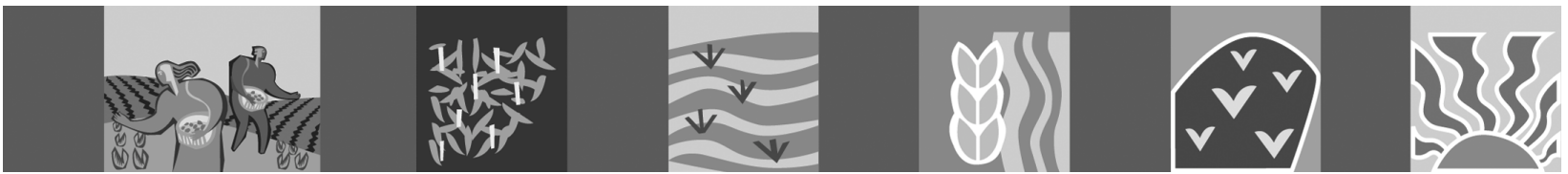
Map of Indonesian Economic Corridor

Source: Coordinating Ministry for Economic

The government of Indonesia advocates free trade as a means for attaining economic prosperity. Besides being actively involved in the World Trade Organization, Indonesia also joined the ASEAN Free Trade Area (AFTA) in 2002, CAFTA (China-ASEAN Free Trade Area) in 2004, and the ASEAN Japan Comprehensive Economic Partnership (AJCEP) in 2007.

Condensed from *Land Grabbing Monitoring in Central Sulawesi by Konsorsium Pembaruan Agraria*. For more details of the case, contact: iwan_selamat@yahoo.com or dewi@kpa.or.id.

The government subsequently designed an economic development concept to ensure the country's trade competitiveness. The concept, known as MP3EI, divides Indonesia into six



corridors of economic development, namely: 1) Sumatra Economic Corridor as Center of Natural Resource Production and Process and National Energy Storage, 2) Java Economic Corridor as Promoter of National Industry and Service, 3) Kalimantan Economic Corridor as Center of Mining Production and Process and National Energy Storage, 4) Sulawesi Economic Corridor as Center of National Agriculture, Plantation, Fishery, Oil & Gas and Mining Production and Process, 5) Bali – Nusa Tenggara Economic Corridor as Gate for Tourism and National Food Support, and 6) Papua – Molluca Islands Economic Corridor as Center of National Food, Energy and Mining Development.

Towards this end, the KP3EI (Coordinator for Indonesia's Economic Development Acceleration and Expansion) was formed to coordinate, evaluate, and solve various problems in the implementation of MP3EI. Presidential Regulation No.32/2011 was also stipulated as legal foundation, with the Republic of Indonesia President as Chairman and the Coordinating Minister for Economics as Executive Director.

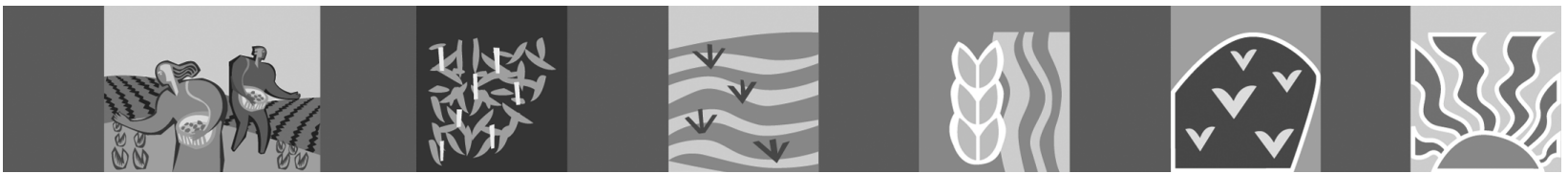
MP3EI Sulawesi Economic Corridor

The Sulawesi Economic Corridor (KES) focuses on five main developments: agriculture, plantation, oil and gas, fishery, and mining. To make way for these developments, infrastructure and facilities, such as roads, irrigation, ports, electricity, water, and telecommunications, need to be in place. So the government has invited local and foreign investors. Data from the KES Working Team indicate that at least 28 areas have been identified as Investment Focused Areas (KPI). Out of these 28, 15 KPIs are classified as priority because of the large number of validated projects and investments involved, and their contribution to the national strategic project (Coordinating Ministry for Economic Affairs,

2013). The selection of these prioritized KPIs has increased the investment plan of MP3EI from 193 projects in the beginning to 286 projects with a total investment value of Rp352.939 billion as of March 2013 (Coordinating Ministry for Economic Affairs, 2013).

Based on Presidential Regulation No.32/2011 on MP3EI, the government issued 16 policies to support the implementation of MP3EI in Sulawesi, namely:

- Expanding cultivation areas through optimizing land use, opening of rice fields, rehabilitation and conservation of agricultural land;
- Securing food supply and production through development of sustainable food storage, farmer empowerment, and institutional capacity building (Gapoktan, Cooperative);
- Reducing potential post-harvest number and value loss through improvement of storage quality and development of an effective purchasing mechanism;
- Providing active support during crop rehabilitation and replanting, supplying supreme cloned cocoa seed, and controlling cocoa pest;
- Diversifying the processed export market (butter, powder, cake, etc.) to give added value in the cocoa value chain;
- Implementing Indonesian National Standard (SNI) and a certified cocoa seed utilization program to guarantee supply of internationally competitive cocoa seeds and processed materials of cocoa;
- Intensifying activity of seaweed processing;
- Developing fishery-based *minapolitan* to accelerate the development of fishery-based areas and aquaculture-based *minapolitan*;
- Developing a stricter control and monitoring system for fishing activities;



“... MP3EI had caused land grabbing to spread in Sulawesi resulting in many agrarian conflicts... In 2013, Sulawesi experienced 31 land-related conflicts, 19 of which happened in Central Sulawesi.”

- ❑ Making institutional improvements to attract investments in nickel mining to offset the current inefficiency in mining acquisition, contracting, and others;
- ❑ Revising regulations related to land and clarifying land use through zoning;
- ❑ Providing government support through incentives to investors of capital-intensive industries;
- ❑ Optimizing oil and gas production by intensifying local exploration and production activities in oil and gas;
- ❑ Providing a positive investment climate and revising some regulations and licensing on oil and gas;
- ❑ Improving the government’s synergy with relevant stakeholders; and
- ❑ Awarding incentives for the construction of domestic refineries.

To further support the MP3EI plan, the government and parliament issued Law No. 2 on Land Acquisition for Development of Public Facilities, recognizing that development has always been hampered by land problems.

Sulawesi Land Use

Administratively, Sulawesi is divided into six provinces with a total land size of 18.85 million

hectares (BPS, 2013). As of 2011, the State forest area comprises 11.576 million ha or 61.40%, while the non-forest area covers 7.276 million ha or only 38.60% (Ministry of Forestry, 2011).

Mining in Sulawesi is an attractive area for investors. In 2012, the Mining Working Area (WKP) offshore was about 7.15 ha, while on land, it covered 9.36 million ha, or a total of 16.52 million ha. In comparison, non-mining areas were very small, totaling only 2.29 million ha. Central Sulawesi is the largest WKP holder with 4.16 million ha, while Gorontalo province holds the smallest WKP with 281,614.45 ha.¹

Besides mining, agriculture is also a major land user. Sulawesi’s plantation products are palm oil, cocoa, cloves, coffee, nutmeg, tobacco, cashew, rubber, and cotton. These are also the same commodities that small farmers produce.

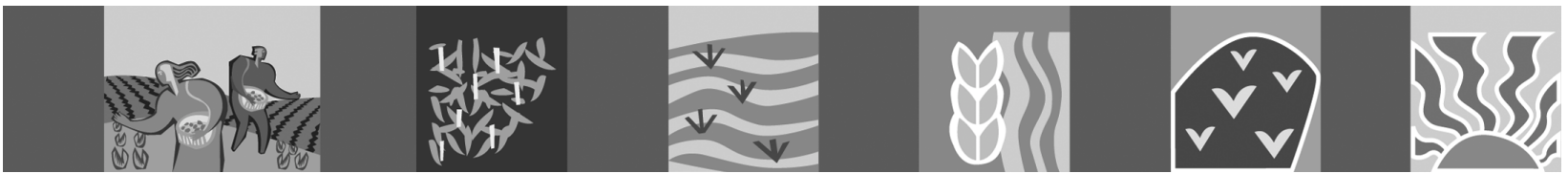
In 2006, the Right of Land Use issued in Sulawesi was as much as 270,847.42 ha (BPN, 2006). In 2011, this increased drastically to 2.28 million ha (Ministry of Agriculture, 2011). The province with the biggest Hak Guna Usaha (HGU)² in 2006 was South Sulawesi and, in 2011, North Sulawesi.

Although the mining sector covered the largest area (16.52 million ha) for both off-shore and on-land mining (7.15 million ha for off-shore and 9.36 million ha for on-land), the forestry sector still had the largest working area of 11.58 million ha considering the on-land area alone, followed by the mining sector at 9.36 million ha, and the agriculture sector at 2.28 million ha.

In reality, these three sectors (i.e., agriculture, mining, and forestry) covered overlapping areas. Thus, conflicts ensued not only between the

¹ Research of ARC, JKPP and KPA

² Concession to cultivate land



people and private investors or Badan Usaha Milik Negara (BUMN)³ but also among investors because the size of the working area, based on the licenses granted, was 123.51% of the entire Sulawesi area.

MP3EI and Land Grabbing in Central Sulawesi

With Central Sulawesi being a mining-rich region, Japan, South Korea, and China have been competing for the right to mine in the area. Japan refuses to lose to China which, today, cooperates with South Korea and Indonesia in handling oil and gas, and is poised to be the biggest stakeholder in the PT Donggi Senoro Liquid Natural Gas (DSLNG). In February 2011, Japan took on Kogas as its

billion to explore eastern Indonesia. According to Indonesia's Ministry of Industry, there are at least 10 State companies from China ready to develop various projects in Kalimantan and Sulawesi.

Agrarian conflicts in Sulawesi

The Consortium for Agrarian Reform (KPA), in collaboration with the Agrarian Resources Centre (ARC) in Bandung and supported by ANGOC, conducted qualitative research on how the MP3EI implementation in Sulawesi affects the land grabbing process in the island. Using data gathered from the media, existing literature, and the field, the study initially concluded that MP3EI had caused land grabbing to spread in Sulawesi resulting in many agrarian conflicts.

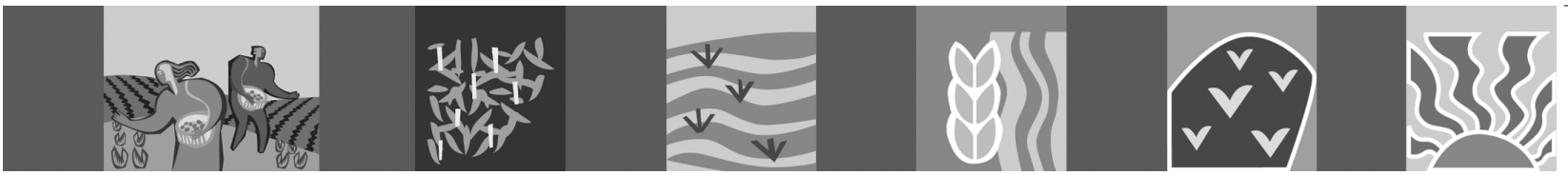
No	Provinces	No. of Conflicts	Hectares	Households	Violators			Victims				
					Thug	Company	Police	Dead	Shot	Arrested	Assaulted	
1	North Sulawesi	3	4,700.00	150								
2	South Sulawesi	5	8,502.49	3,540	1	1	2	1	2			
3	Central Sulawesi	12	39,330	5,796		1	4			41		
4	Southeast Sulawesi	5	2,021.00	50			1			2		
5	West Sulawesi	1	90.00									
6	Gorontalo	5	8,000.00	100				2				1
Total		31	62,661.49	9,666	1	2	7	3	2	43		1

partner in a Sharing Production Contract (SPC). Since then, the stakeholder structure in PT DSLNG has changed⁴. While Japan is more powerful in oil and gas in Sulawesi, China has started to invest in nickel. China is prepared to spend as much as \$20

³ State-owned enterprises

⁴ Stakeholders of PT DSLNG since February 2011 are PT Pertamina Hulu Energi 29%, PT Medco LNG Indonesia 11.1%, and Sulawesi LNG Development and Mitsubishi-Kogas 59.9% (OGJ Oil, January edition, 2011).

This preliminary conclusion was validated and completed by the team through primary data from focused group discussions with CSO activists, victims of land grabbing, and the academe in Palu, Central Sulawesi and Makassar, South Sulawesi. In 2013, Sulawesi experienced 31 land-related conflicts, 12 of which happened in Central Sulawesi. ■



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For the complete list of references, please contact the author of this case as indicated at the beginning of the article.