INTRODUCTION
From 1980 to 2005, Indonesia was known as the largest rattan producer in the world. Almost 80% of all raw materials of the rattan-based industry were produced in Indonesia with a total production rate of 622,000 tons per year.¹ Lasting for almost three decades, that period is considered as the golden era of Indonesian domestic production and trade of rattan commodities. This favourable condition was marked by the high capacity of rattan processing industry which reached a considerable production rate of approximately 545,000 tons per year, with an export value of up to 399 million US dollars for processed rattan products.

¹ The Official Website of the Ministry of Trade, The Development of Indonesian Rattan Processing Industry in 2007
Rattan has always made a significant contribution to the economic improvement of many stakeholders: rattan farmers or harvesters, workers, small-scale processing industry, and exporters. It is also an important source of the country’s foreign exchange. For example, a 2005 statistics indicates that, in Cirebon Regency, a region in West Java well-known as a centre of rattan processing industry, there were 1,060 craftsmen and 602 exporters who owned 430 processing factories and were able to export 3,000 containers of rattan products each month. Rattan industry in Cirebon was able to provide employment for 75,000 part-time workers.²

PROBLEMS AND CHALLENGES

Considering the considerable economic potential of the rattan industry, the government has considered it necessary to regulate a trade system for rattan commodities through the enactment of the Minister of Trade’s Regulation No. 35 of 2011 regarding the Ban on the Exports of Rattan and Rattan Products. This policy is apparently based on the government’s desire to optimize the economic value of rattan from the upstream level (production of raw materials) to the downstream level (production of finished goods) of the industry. In fact, a similar policy was adopted in 1980’s. The ban on the export of raw and processed rattan is expected to induce and encourage the development of rattan processing industry (in the forms of rattan-based furniture and handicrafts) by Indonesian entrepreneurs. It is hoped that the added value will make a positive contribution to the people in general.

The policy itself is actually a reasonable move on the government’s part, but the resulting effects are not as expected. Ever since the enforcement of the export ban, there has never been any demonstrable effects on the development of domestic rattan production industry and the improvement of the export value of rattan-based finished products from Indonesia. A decline in rattan trade has even been identified at the levels of farmers, raw material harvesters, furniture producers, and craftsmen due to uncompetitive prices. This negative trend can be observed by comparing the values of Indonesian rattan export.

² Head of the Indonesia Furniture Association (Ososiasi Meubel Indonesia) Amindo) Cirebon, Tribun Bisnis, 2007
in 2012 at 84,233 tons and in 2013 at 74,804 tons, following the amendment to the ban on semi-finished rattan export (Ministry of Trade, 2014). Such a decline in Indonesian rattan processing industry can also be attributed to the inefficiency of current finishing technology and the fact that the designs of processed rattan products in Indonesia were still dictated by foreign purchasers.

In spite of the fact that rattan-based products such as furniture and handicrafts managed to survive, their economic value keeps decreasing each year. Since the ban on the exports of rattan and rattan-based products was adopted, the export value has declined by approximately 6.3% per year. Take an example of the rattan industry (furniture and handicrafts) in Cirebon: the export value in 2014 was 117 million US dollars, while that in 2015 was 110 million US dollars, which suggests a decrease in value. A similar trend has also been observed in Central Sulawesi: surveys at several rattan companies (whose main business is to process raw rattan into processed or semi-finished rattan-based products) reveal that there were a 25% decrease in the production of raw materials and a 27.5% decrease in turnovers. The subsequent effect of this decline is the reduction in workforce, both full-time and part-time, with an average rate of 34.42%. This phenomenon actually had a positive impact on the rattan-based finished product industry, especially furniture, but this was not accompanied by a significant increase in the overall sales value.

This export ban policy was actually based on a wrong assumption that, by regulating the supply of raw materials, foreign competitors in rattan industry (especially China, Taiwan, Hongkong, and Malaysia) would be undermined or at least controlled. It ignores the fact that raw materials are only one component in business competition. However, it is interesting to note that, while the Indonesian policy banned any exports of raw and semi-finished rattan products, China began to produce rattan products from plastic as an alternative material for furniture. Even several businesses in Indonesia also switched to plastic as the new material for their rattan products. The development and spread of plastic rattan furniture from China is an obvious indicator that the export ban policy is not effective.

In addition to that, the export ban policy has also triggered illegal trade of rattan-based products, especially the processed rattan. Since 2012, an average of 42 cases of rattan smuggling attempts to various countries have been thwarted by the Indonesian Customs and Police per year, with an estimated value of 20 to 50 billion rupiahs. Meanwhile, in 2013, other attempts to smuggle a total of 38 containers of raw rattan were also thwarted. There is also a troubling fact that in 2012 Singapore was able to purchase raw rattan worth 3.8 million dollars from Indonesia, in spite of the prevailing ban on rattan exports.

It is obvious that the ban on the exports of rattan as a material for furniture and handicrafts is an ineffective measure to strengthen the downstream sector of rattan industry, which focuses on rattan processing. Ever since the ban, the number of rattan processing factories has declined by 27%. In addition to difficulties in obtaining a sufficient supply of raw materials, uninspired designs, low quality of the products, and industrial inefficiency have contributed to this steady decline. Various attempts at survival have been made by business owners, such as by

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3 Kontan, 11 March 2014

4 Indonesia Furniture Industry and Handicraft Association (Asosiasi Meubel dan Kerajinan Indonesia or AMKRI), Cirebon, Republika News, 18 January 2016

5 A survey carried out by the Representative Office of the Bank of Indonesia in Central Sulawesi Province, 2013

purchasing cheap raw materials and even by replacing rattan with other materials, such as bamboo or water hyacinth.

The most devastating impact of the ban is the collapse in rattan prices at farm level, which substantially affects rattan farmers, plantation owners, and harvesters. The current average price of raw rattan at farm level is 1,800 rupiahs per kilogram, which is far lower than that in 2015 at 3,000 rupiahs per kilogram. Such a low price is not proportional to the expenses incurred from harvesting the rattan, which include workers’ pay and transportation fees from the plantation to transit points. The situation is more difficult for workers who depend for their livelihood on rattan harvesting. They need to at least sell 2 to 3 kilograms of rattan to be able to buy 1 kilogram of rice, while 10 years ago the price of 1 kilogram of rattan was equal to that of 2 to 3 kilograms of rice. Because of this, the farmers become reluctant to cultivate, grow, and harvest rattan. Farmers in Sulawesi eventually switched to cocoa, while those in Kalimantan resort to oil palms because these two commodities are more profitable from the economic perspective. However, this conversion generates a higher rate of carbon emission, especially in peatlands, and increases the risk of forest and land fires. It must also be noted that rattan has a great ecological value.

In terms of economy, rattan industry actually reserves a great potential for improving the farmers’ income because of its more varied options of production systems. In addition to the rattan itself, the farmers will also garner an income from the rubber trees which host the rattan. On the other hand, the low rattan price has minimized the function of local ports, reduced employment, and decreased local government’s income derived from interregional tax and trade.

As a plant which thrives naturally on various hosts such as rubber trees and dammar-producing trees, rattan can help mitigate the climate change. Because of this, conversion of rattan plantations into palm oil plantations due to the rattan’s low selling price may contribute to the increasing volume of greenhouse gas. This is clearly contrary to Indonesia’s commitment to reduce greenhouse gas emission by 26%. As a tradable commodity, rattan has far exceeded sectoral boundaries. Rattan agroforestry, whether in the form of plantations or natural forests, reserves a great potential for supporting Indonesia in fulfilling its obligation with regard to climate change mitigation. For instance, along the basin of Katingan–Kahayan rivers, there are tens of thousands hectares of rattan plantations which are managed by tens of thousands of farmers. Most of these plantations are situated in peatlands, with a very high risk of carbon emissions and land conversions.

**POLICY RECOMMENDATIONS**

The main purpose of the government’s ban on rattan exports is to encourage the development of domestic rattan-based industry in order to increase the commodity’s added value for the benefits of the producing regions. This export ban is based on the assumption that the demand for rattan raw materials can be satisfied by domestic businesses. Other objectives are to save rattan from extinction, to prevent smugglings, and to improve the utilization of rattan products, industry, and exports.

In spite of these objectives, the current policy on rattan export ban should be re-evaluated because it has failed to improve the prosperity of

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7 Kateng Pin, Harga Rotan Makin Anjlok, 24 March 2016


9 Regulation of the Minister of Trade No. 35 of 2011
rattan farmers. As part of Indonesian forest biodiversity and natural resources, rattan must be preserved and enhanced because of its great contribution to the reduction of greenhouse gas emission. Emphasis must also be put on encouraging the development of rattan-based downstream industry because of its potential contribution to Indonesia’s economy. The country’s wealth of rattan resources has not been able to make Indonesia a leading country in international rattan trade. Currently Indonesia ranks third (7.68%) in terms of worldwide rattan trade, lagging behind China (20.72%) and Italy (17.71%).

In order to ensure the sustainability and development of rattan processing industry from upstream to downstream levels in Indonesia—and with the subsequent aims of increasing the farmers’ income, ensuring the availability of raw materials for rattan-based industry, and improving the country’s economy at regional level—, we would like to offer these two recommendations:

1. The government should establish dialogues between the business actors in the rattan industry and the rattan farmers for the protection of rattan-based national industry, especially in the forms of furniture and handicrafts. These multiparty dialogues can be organized both at national and regional levels, not just at ministerial level. The issues or topics for discussion must be based on actual experiences and facts, not merely based on aggregated data. Because of this, such multiparty dialogues should be preceded by some form of studies or observations of various facts within the rattan industry, from upstream to downstream levels, carried out by an INTEGRATED TEAM.

2. The government should encourage cooperation between the provinces which produce the raw rattan (especially Central Kalimantan and Central Sulawesi) and those which process and use the raw materials (especially East Java, Central Java, and West Java). Amongst the most pressing topics of discussion are ranges of prices and rattan distribution systems which can serve the interests of all relevant stakeholders.

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