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CHAPTER 1. INTRODUCTION

1.1 Background

Rattan commodity in Indonesia has created an economy of rattan that supports large number of people. It created jobs for people in rattan farms and plantation, trade, intermediate industry, furniture and craft industry, and it contributes to the economy in industrial centers.

In term of economy, every commodity has its own market property. A product that is produced by large number of manufacturers and demanded by large number of cunsumers has a 'perfect competition' market. In this case, not any of producer and consumer's behavior can affect the price neither the amount supplied. On the contrary, a product whose amount of supply is controlled by only one producer is categorized as having monopoly market. There is a commodity whose amount is produced by small number of producers with a large number of consumers. If all producers, or the majority, engage and agree to control the supply, then the commodity comes close to monopoly market in nature. The engaged producers is called 'cartel'. An example of cartel in real world that has influential bargaining power is OPEC. From consumer interest, even larger economy interest, a monopolized product creates harmful effect in two ways. Firstly, consumers do not receive satisfaction or utility as they demanded. Secondly, it creates a 'deadweight-loss'. It is the loss that cannot be converted neither to producer's profit nor the consumers' benefit.

With regard to rattan trade, the frequently raised concern is the lengthy trade chains. What if majority of traders join in front of raw rattan producers (rattan farmers) and agree on controlling rattan price? Meanwhile, the 'weak' rattan farmers hardly can control supply. If it is the case, then a cartel of traders develops.

Nevertheless, perfect competion economy rarely exists. To any rattan trade regulation, the question to rise is whether or not improvement in farmer benefit occurs as well as the question of what the tatrde-off is. Indeed, it is a matter of policy choice that has to be based on social benefit.

In furniture industry, a problem in design persists. Lack of design capability or reluctance has lowered the added value of the processed rattan. Solution to this problem involves the protection to industry design in term of copy right law.

1.2 Objectives

The objectives of this report are:

(1) To analyze current trade situation with regards to government rattan trade policy and their respective impact on trade and industry, economy of people at industrial centers, and long-term impact to forest resources;

(2) To analyze current rattan trade in term of inter-relationship between upper and downstream side of trade from the perspective of advancing added value to rattan producers at upper side and encouraging semi-finished rattan industry.

1.3 Method

- Data and information are collected from various sources as documented reports and those acquired from internet.
- Due to limitation in quantitative data, no sophisticated data analysis is made. Descriptive analysis is used as the substitute.
- Analysis is aimed at finding comprehensive solution to the problem of low economic value received by rattan producers (rattan farmers) as well as solution to the decreasing rattan resources.

CHAPTER 2. RATTAN TRADE

2.1 Rattan Products

In trade practice, rattan products can be differentiated into: (a) raw rattan-wet condition; (b) raw rattan-dry condition; (c) W&S rattan (dry polished cane, core and skin); (d) end-product rattan as furniture, seat, matras (floor mat), various crafts as basket ware, etc. Rattan of type (a) and (b) are categorized as raw material rattan, while rattan of type (c) is categorized as half-finished. Or, another way is to categorize them into three types:

1) Raw material rattan; it is rattan that has not been processed since it is cut, and to be sold to collector traders in wet form;
2) Processed-rattan product (semi-finished); it is raw material products already processed into: W&S, boiled, polished. The quality grade for these products has been definite. These products play an important role in intermediary function of supply and demand; and
3) End-product rattan; it is furniture, seat, floor mate, basket ware, or other crafts. The product is usually a combined-product with or has additional materials such as: wood, iron, abaca, water hyacinth, plastic or others.

Indonesia rattan currently comes from producer areas of: East- and Central Kalimantan, Sulawesi, and Sumatera. The trade centers as well as industrial center of the commodity are (1) Banjarmasin-Amuntai; (2) Surabaya; and (3) Cirebon. The three are connected in a supply-demand system.

2.2 Entrepreneurs in Rattan Industry

Rattan trade in Indonesia is characterized by the lengthy trade chains, beginning at rattan farmer/cutter and ended at traders and manufacturers (industry). The followings identifies the entrepreneurs involved in the trade (from *Widyaningrum, Nurul and E. P. Mulyoutami, 2003 in FT Link Consultant–SHK Kaltim, 2005*):

2.2.1 Rattan-cutter farmer

Rattan-cutter farmer is divided into two groups, i.e. those cutting on their own rattan farm and those cutting rattan of others' farm. Most of them are inhabitants of remote villages in Kalimantan and Sulawesi, and most are women. The rattan area is either of natural forest or cultivated (rattan farm). In rattan economy, the rattan-cutter farmers contribute in converting rattan standing stock into salable product.

2.2.2 Village-level collector

These collectors are based at viilages of Kalimantan and Sulawesi. They function in collecting wet rattan from rattan-cutter farmers. They obtain added value from processing wet rattan into dry rattan canes. The process involves wasing, deglazing, drying, and sulfuring. They sell processed rattan into sub-district collector. The collectors are normally men.

2.2.3 Sub-district-level collector

These collectors are based at sub-district capital or center, and with larger scale than vilage-level collector. Theya are the last outlets in certain rattan areas before entering inter-insular trader or buying agency of furniture manufacture located in Jawa. They have sufficient trabsportation facilities as ships and trucks, required for delivering rattan from villages to the sub-district capital or center. Normally, they do not change rattan specification.

2.2.4 Inter-insular trader

Normally, inter-insular traders are based at rattan source district having harbour. In east Kalimantan, normally they position at Samarinda. They have stores at the riverside of Mahakam River where transaction and loading and unloading are made. Mosts of the traders do not process rattan, instead they make grading to rattan canes based on species and quality. This grading directly specifies the price and trade or shipping destination. Group of good quality rattans are normally traded to Jawa. While lower quality rattans are marketed locally. Some inter-insular traders sell the graded rattans overseas as to Malaysia.

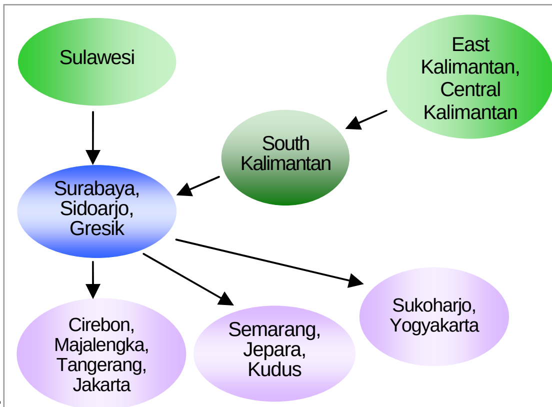

Figure 1. Inter-region trade system of Kalimantan and Sulawesi rattan

2.2.5 Jawa-based large furniture/craft manufacture

The manufacturers are based at industrial centers of Surabaya/Gresik, Cirebon, Kudus, Jepara, Semarang, Sukoharjo (Yogyakarta), and employ hundreds-thousands workers and sub-contractors upto ten-thousands of people. The company exports furniture or crafts. Raw material rattans for the manufacture are normally bought directly from source areas through their buying agency on location. Manufacturers role in converting raw material rattan (half-finished) into end-product rattan, meaning they contribute added value.

2.2.6 Jawa-based large trader

Most of the traders are based in Surabaya, they have store-houses in rattan source areas. They place their buy-agency at the store-house locations. Some set up marketing agency and srorehouse within industrial center areas as in Cirebon, Semarang-Jepara and Sukoharjo. Beside sell in the agency, they sell to medium scale trader within furniture industrial center areas or to medium-scale furniture manufacturer. Some of the traders processed raw material rattan into semi-finished rattan.

2.2.7 Semarang/Jepara-, Sukoharjo-, Cirebon-based medium scale traders

The traders normally are based at vicinity of rattan industrial centers or relatively at a distance from the center. They procure rattans from large Surabaya traders or directly from Kalimantan/Sulawesi through partner traders. The trader sells rattan to smaller traders or directly to furniture manufacturers. They employ 5-10 workers, and normally have, in limited capacity, rattan processing machines.

2.2.8 Small-scale trader (shop)

They normally are based at or arround village of rattan industry. They acquire rattans from medium scale trader in their areas, or sometimes acquire directly from the agency of large traders. They sell rattans to micro-scale manufacturers. Normally, they work on their own or employ a small number of workers. In some cases, they further make splitting to raw material rattans traditionally (using knives). In other case, they are simultaneously small scale furniture makers.

2.2.9 Medium scale furniture manufacturer

They normally are based within or around the village of rattan industry. They employ permanent workers of 30–100 persons, and in som cases have sub-contractors or crafters of hundreds. They obtain order from large furniture manufacturer or from overseas buyers.

2.2.10 Small scale furniture manufacture

They are based within villages of rattan industry, and normally employ 5–25 workers. They obtain order from medium scale manufacturers or large manufaturers. They employ tens of crafters as sub-contractors.

2.2.11 Mikro scale furniture manufacture

They are based within villages of rattan industry, and normally employ 25 workers or less. They obtain order from medium scale manufacturers or large manufaturers. They employ tens of crafters as sub-contractors. Normally, they are only sub-contractors of medium or large manufacture. They acquire rattans from small scale traders, or very often acquire them from the order provider.

2.3 Rattan Trade Policy Over Times

Indonesia rattan trade in the last three decades and respective trade policy in effect is identified in the following sub sections (*FT Link Consultant–SHK Kaltim, 2005, modified*).

2.3.1 Prior to 1979 period

Rattan trade in the period prior to 1979 cannot be identified in specific since trade was executed free without regulations. However, Central Statistical Bureau (1990) reported export of raw rattans, semi-finished, and web during the period.

2.3.2 1979–1996 period

This period is typified by a protection period for rattan industry, starting in 1979 with the issuance of Decree of Trade and Cooperative Minitry Nr. 492/Kp/7/79. The government banned raw rattan export (rattan has not received washing and sulfuring process). Later on, 1986, washed and sulfured rattans were banned too (through the Decree of Trade Minitry Nr. 274/Kp/XI/86). Following this, in 1988 semi-finished rattan (skin and core) were banned by Trade Minitry Decree Nr. 190/Kpts/VI/88, and webbing rattan were banned by Trade Minitry Decree Nr. 274/Kpts/VI/88.

In 1992, export ban regulation was revoked with the issuance of Trade Minitry Decree Nr. 179/Kp/VI/92. All types of rattan product, raw, half-finished (semi-finish), and finished-product rattan are allowed for export. However, export ban for webbing rattan (*lampit*) remained unchanged. One of the clauses of this decree is export tax for raw rattan of US$ 15 per kilogram and export tax for semi-finished rattan of US$ 10 per kilogram. These tarifs are far above the average price of US$ 2.1 per kilogram of raw rattans in the leading overseas market, and average price of US$ 3.1 per kilogram of half-finished rattan. This means export remained did not realize, and raw material supply was guarranted.

Beginning in 1988 export of end-product rattan increased sharply, and continued up to 1995. The value was US$ 45 million in 1988 which rised to US$ 105 million in 1995. Centers of rattan processing in Cirebon, Tangerang, Sidoarjo, Gresik, and some in Central Jawa grew remarkably.

2.3.3 1996–2004 period

In the year 2000 the export tax of US$ 10 per kilogram was revoked, and *resources rent tax* of 10 percents maximum is put into effect as the substitute (It is in line with the Letter of Intents with IMF). With this export deregulation rattan manufacturers disputed to have tough difficulty in obtaining raw material rattan. There is no available data supporting this claim. In the mean time, data for 1997 to 1998 showed that rattan furniture industry grew in substantial rate as the impact of *Rupiah* currency drop in value. In Cirebon the industry export value increased steadily during 1999-2003 period, and increased sharply for 2002 to 2003 (from Rp 814.072 billion to Rp 944.42 billion (see Table 2).

A sharp decline in export value did occured in East Jawa industry; this drop is accompanied by a significant increase in half-finished rattan export during 1999-2003 (see Table 1).

2.3.4 2004–2005 period

Export of raw rattan and half-finished rattan was re-banned in 2004 with the issuance of Ministry of Trade Decree Nr. 355/MPP/Kep/5/2004 (after the *LoI* terminated). By this decree stipulation, rattan export is allowed only for plantation rattans (of species *taman, sega* and *irit* with diameter 4 to 16 mm deglazed, polished or unpolished, washed, sulfured, or smoothly-polished, skin and core. Conflict of interest between rattan traders and furniture association emerged following the regulation was put into effect. The issue is the same as in the previous period of export ban policy i.e. low farmers' income attributed to low local price of raw rattans at one side and raw material shortage of industry at the other.

2.3.5 2005–present period

At this period of trade regulation raw and half-finished rattans are allowed to export with the issuance of Ministry of Trade Reguilation Nr. 12/M-DAG/Per/6/2005 concerning Rattan Export Regulation. Rattan furniture industry is complaining on difficulty in acquiring raw materials. The *Association of Rattan Furniture and Craft* December 2007 record shows a substantial drop in furniture and craft export as the impact of current export regulation *(KOMPAS, March 6, 2008)*.

Table 1. Condition of Cirebon rattan furniturte and craft manufacturer (in December 2007)

Container sent of export	# of furniturte-craft manufacturer	Remark
0	144	Shut-down the operation
1	127	
1-8	113	
8-15	20	
15-25	11	
>25	11	
Before 2005 regulation: 75-150	426	

Source: KOMPAS, March 6, 2008

2.4 Trade General Relationships

As shown in previous section there are three important centers in rattan trade, simultaneously industry, in Indonesia, i.e. (a) Banjarmasin and Amuntai (S. Kalimantan); (b) Surabaya, Sidoarjo, Gresik; and (c) Cirebon, Majalengka. Other centers are Sukoharjo- Yogyakarta (Yogyakarta) and Semarang-Jepara-Kudus (Central Jawa). The last two centers, however, do not specialize on rattan and hence their contribution in term of trade value of rattan product is small.

Representation of trade activities in general in Banjarmasin and relation with other areas is sketched in figure 2. Raw rattans are supllied by East- and Central Kalimantan. They are purchased by large traders which then deal out them to Island of Jawa overseas. Middle-scale and small-scale traders also acquire East- and Central Kalimantan rattans, the traders put rattans on local market and acquired by floormat and furniture smallholder companies. From Banjarmasin raw rattans are also traded to Surabaya market.

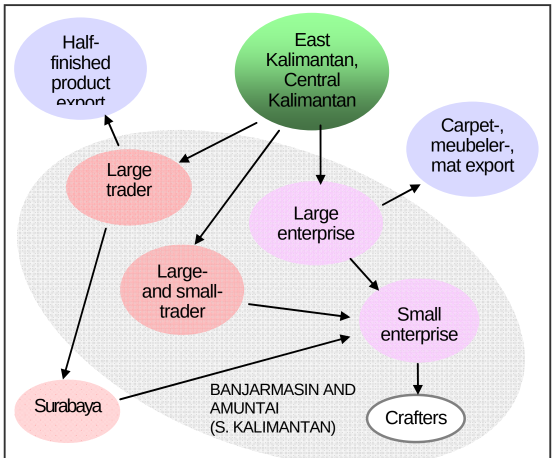

Figure 2. Rattan trade in Banjarmasin and Amuntai and the connection with other areas

Surabaya, along with Sidoarjo and Gresik is the place of furniture producers for export, beside as the first outlet for trade to manufacturers in Jawa and export of half-finished rattans. General representation of trade activities in Surabaya and relation with other areas is outlined in figure 3. Beside, from Kalimantan areas raw rattans in Surabaya come from Sulawesi as well.

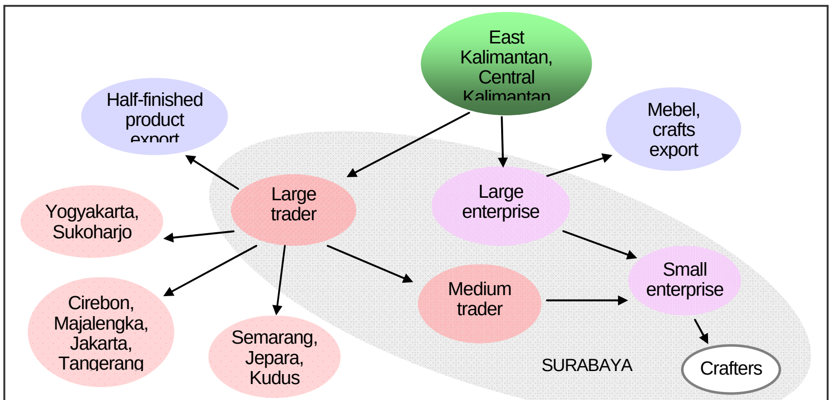

Figure 3. Rattan trade in Surabaya and the connection with other areas

Trade of rattan products from Cirebon is mainly in furniture, it is mainly for export. Part s of raw material for Cirebon come from Surabaya and other parts those directly acquired by large Cirebon trader agency position in Banjarmasin. Cirebon manufacturers produce about 70% of total country furniture products. Figure 4 shows general representation of trade in Surabaya and relation with other areas.

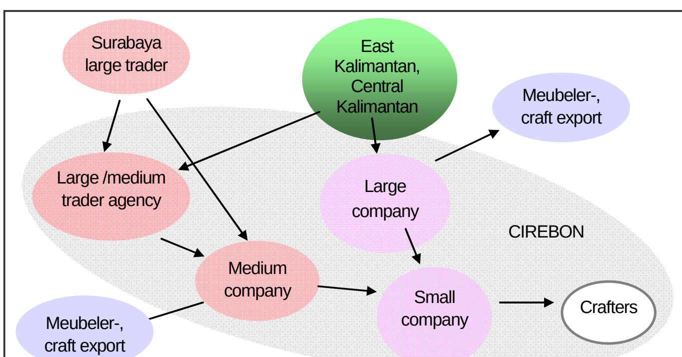

Figure 4. Rattan trade in Cirebon and the connection with other areas

Trade relationship of the three industrial centers is outlined as follows:

- Banjarmasin: supplies raw rattans (wet- and dry condition, *asalan* rattan), and half-finished to demand centers Surabaya, Cirebon and export market;
- Surabaya: supplies raw rattans (dry condition, *asalan* rattan), and half-finished to demand centers Cirebon and other demand centers. Besides, it supplies end-product rattans to places in Jawa and export market;
- Cirebon: demand center raw rattans (dry condition, *asalan* rattan), and half-finished. Along with this, it supplies end-product (the majority furniture) to places in Jawa and export market.

CHAPTER 3. DISCUSSION

3.1 Bargaining Position of Rattan-cutter/farmer

The distant location with low accessibility of rattan source or first producer from the costumer requires layers of intermediate traders having ability to deliver raw rattans to factory that will process them into half-finished and end-products or to other large-scale traders.

Therefore, the presence of intermediate traders in trade activities is natural and needed by raw rattan producers. The trade is different with timber products leaving forest concessionair area with the whole trade chains are held by the concessionair organization. In this regard, many have wrong view on the lengthy rattan trade chains, and envisage a direct cut to the trade chains. In reality, an economy, unexceptionally rattan trade, develop as a result of a process of interaction among the performers, of mutual symbiiotic. It means that as long as rattan first producer does not have the ability (in terms of capital, etc.) to deliver the product up to the trader or factory, then intermediate traders take their role in the economy. Nevertheless, selling raw rattan to the factory for rattan farmer is not realistic in current farmer capaity.

One possible way for the farmer is to process raw rattan into hal-finished product (washed & sulfurred) in which the added value is gained by traders or processors. This on-location process will keep rattan quality by protecting it from fungi attack.

Trade acitivities in source areas relates to the market of end-product, end-product demand. That is, farmers would cut rattan if there is a definite demand for it. At times when demand fore raw rattan falls, farmer/cutter would shift to other jobs, working in timber cutting normally the most available. However, in the case demand for rattan rises, to what extent it increases the price of raw rattan and the income of farmer/cutter is of importance to answer. The same is to what extent the price of raw rattan increase at wet season during which time cutting rattan is difficult to do and hence the supply decreases.

Large number of raw rattan producers or farmers are there in Kalimantan areas; they sell their rattan to traders then bring the rattans to Banjarmasin to fill the demand of local manufacturers in Banjarmasin, Surabaya, Cirebon, Semarang, Yogyakarta or export.. Compared with the number of traders they are far larger, and the amount of raw rattan they produce is over the trader capacity to absorb. The raw rattan produced for the whole country totals 250,000-300,000 ton per year, meanwhile the whole number of rattan manufacturers absorb some 150,000 tons. This outnumber supply to local demand naturally strengthens trader's bargaining power and weakens farmer's.

3.2 Export Trade

For a long period, export has been significant for rattan commodity. Hence, export can be used as 'indicator' in rattan economy, in particular the end-product.

As mentioned earlier in this report, beginning in 2005 Indonesia rattan export is de-regulated by the latest regulation (2005 Ministry of Trade Regulation on Rattan

Export Regulation), allowing export of certain species of raw rattan and half-finished rattans.

The types of exportable rattans based on current regulation are:

a) Raw rattan of *Taman, Sega*, and *Irit* species
b) Semi finished product from *Taman, Sega*, and *Irit* species
c) Semi finished product from other species.

Currently, after the regulation was put into effect, higher world price of raw- and semi-finished rattan has driven more export directly from rattan sources areas. Meanwhile, local manufacturers cannot afford to compete with overseas traders for raw material rattans. Rattan furniture association in Cirebon reported a shortcome in raw material supply, in particular grade A and B rattans. Better price at world market caused rattan traders to choose export. Further, the drop of production occurred to most of manufacturers as shown by their export in 2008 (*Kompas, March 6, 2008*). Other report mentioned that in 2008 half of furniture manufacturers in Cirebon stopped their production (*Indosiar TV*, *27 February 2008*). As a comparison, the same policy of export of year 2000 did not caused Cirebon furniture industry to drop, and the drop only ocurred in Surabaya industry. Possible reason to this is a very large amount of raw rattan export.

The policy, as stipulated in the decree, is formally designed to:

(1) To enhance rattan farmer's and rattan collector opportunity in producer area in order to acquire more benefit of rattan business;

(2) To guarantee raw materials for domestic industry through maximum quota stipulated of exportable rattan; and

(3) To maintain rattan standing stock especially in natural forest and cultivation area to sustainable utilization.

The increasing export of raw rattan may result in rattan farmers' income improvement. Nevertheless, how much the income increase and how much is the decrease in other segment of economy is crucial. If the *trade-off* to local rattan industry is substantial, then the government has to consider other complementing control or rule. The rule is not identical with export re-ban regulation for raw- and half-finished rattans. For farmer income improvement, introducing program to develop processing into half-finished rattan may be one option since it would increase rattan added value.

In internasional trade including rattan, a national policy that benefits the country optinmally is crucial. China is a clear example for such policy; it imposes a zero percent tariff for raw- and half-finished rattans exported to the country, and a substantially high tariff for end-product rattans. Such policy would put end-product rattans, as furniture, in a hard competion with the same products from China in world market. Since the price is higher, raw rattan producers would logically export the rattan instead of sell them locally. Hence, local manufacturers are confronted with two problems, tougher price competition in world market and higher price of raw material.

In addressing the above situation, a suitable policy to take has to be based on global information and data. Total benefit to national economy that can be obtained from the trade under a policy choice has to be calculated clearly, ss well as possible impact to rattan resources in natural forest and plantation.

In sea transportation sector, a high cost exists. This higher cost has placed Indonesian manufacturers at a disadvantage in relation to those in other countries as Singapore and Hong Kong that partially subsidize shipping in order to attract trade. The situation is such that freight-on-board (FOB) charges are much higher from Indonesia than from other countries.

The trend of export volume of half-finished and end-product rattan is different from one period of policy to another. At the period of previous export deregulation, 1999-2004 when export tax was cut, for East Jawa the volume of end-product export dropped substantially along with the sharp increase in half-finished rattan export (see table 1). Meanwhile, for Cirebon rattan furniture export for the period relatively stable with sharp increase for 2002 to 2003, of 16% growth.

Table 1. Export volume of half-finished and end product rattan from East Jawa during 1999–2003

Year	Half-finished rattan		End-product rattan	
	Volume (ton)	increase/ decrease	Volume (ton)	increase/ decrease
1999	777.4			
2000	4,998.5	543%	16,810	
2001	12,710.4	154%	16,970	1%
2002	11,787.1	-7%	12,410	-27%
2003	44,360.2	276%	4,120	-67%

Source: FT Link Consultant–SHK Kaltim (2005), processed.

Table 2. Export volume of rattan furniture from Cirebon during 1997–2003

Year	Value of furniture export (Rp.000)	Increase (%)
1997	608,223,142	
1998	726,548,560	19%
1999	735,676,500	1%
2000	780,323,940	6%
2001	794,483,690	2%
2002	814,072,084	2%
2003	944,421,678	16%

Source: FT Link Consultant–SHK Kaltim (2005)

One factor hidden in the above tables is illegal export. It is not difficult to conclude it that is through examining the amount local manufacturers can absorb raw material (165,737 tons annually) and comparing the number with the capacity of major rattan importer country in producing end-product rattan given the total raw rattan production data and no other single country has rattan resources to export. The illegal trade creates disadvantages in two ways, first the loss of Indonesia tax earning and it harms market price. The weak control function has been the major cause of the trade, and to some extent, administrative barrier factor in entering rattan trade business also contributes.

3.3 Industry and Product Design

3.3.1 Industry

In general term, rattan industry can be categorized as the 'upper' industry and the 'lower' industry. Upper industry consists of those processed raw-wet rattan into product called as W&S (washed and sulfured) or polished canes. Meanwhile, lower industry produces end-product as rattan furniture, seat, and various crafts.

At lower side, the majority of rattan end-product (finished products) industries are located in Jawa and Bali (78.1%), followed by Kalimantan (10.1%), and Sulawesi (5.3%). Cirebon has the largest number of end-product industries in Jawa and Bali area (*Cahyat, 2001 in FT Link Consultant–SHK Kaltim, 2005*), totals 1,500 including those of non-ASMINDO member (rattan furniture manufacture association) (*Yamamoto, Yoshie 2005*). Whilst for half-finished industry the rank in the three is Sulawesi (42%), Kalimantan (34.9%), and Jawa and Bali (15.2%) (see Table 4).

Table 3. Percentage number of industry in Kalimantan, Sulawesi, and Jawa Island

Region	Percentage number of half-finished industry	Percentage number of end-product industry
Sulawesi	42%	5,3%
Kalimantan	34,9%	10,1%
Jawa and Bali	15,2%	78,1%

Source: FT Link Consultant–SHK Kaltim (2005), processed.

Rattan industry in Banjarmasin and Amuntai area differs from those rattan industry centers in Jawa in that large companies producing floor mat/furniture buy raw material directly from East Kalimantan and Central Kalimantan, similar to what large traders do. Secondly, the Banjarmasin and Amuntai end-products include floor mat (*lampit*), carpet, and meubel which are exported mainly to Japan. Floor mat is being the product of excellence to Banjarmasin.

Development of floor mat production show a different trend compared with furniture during this deade. During the1996–2000 rattan furniture export grew while it decline for floor mat. Floor mat production dropped significantly during 1996-2000. In 1996 floor mat export was at the value of US$ 14.6 million, while in 2000 it was US$ 3 million (*Cahyat, 2001 in FT Link Consultant–SHK Kaltim, 2005*). This trend seems to persist up to present year, and many of the manufacturers shut down their production.

3.3.2 Product design

An expert said that if local rattan furniture industry can advance in design, with 85% of rattan in the wotld come from Indonesia, then Indonesia will be able to control world rattan market. Unfortunately, from hundreds of furniture manufacturers in Cirebon, only 2 or 3 companies have their own design for their products. The rests use designs as overseas buyers specified (*Yamamoto, Yoshie 2005*).

Although in this arrangement the manufacturers do not seem to incur loss, but the price producers receive is far below the overseas buyers'. Possible reason for not developing their own design is that a designed needs promotion which implies risk to the manufacturers. Related to this, the 2008 international furniture and craft fair initiated by the Indonesia association of furniture (ASMINDO) is a progress. The government has to support with necessary efforts as it is an entry point for the advancement of local design.

The situation in design can be identified as of no certainty in term of law. This can be resulted either from the absence of property right law or from poor implementation of current law. Currently, the problem in furniture design, especially in rattan furniture, is scrutinized by JICA-sponsored expert working for Indonesia in promoting design. Current situation in design is summarized as follows (*Yamamoto, Yoshie 2005*):

> Rattan furniture producers are barely able to benefit from rattan business.
>
> In places like Cirebon where businesses of the same industry are concentrated in one locale, imitation goods often enter the market before the original design to be registered. In such cases, design-protection laws are not enough to provide adequate protection. Prevention of design infringements without design registration is very difficult. We must emphasize that developing a legal environment that includes laws to prevent unfair competition is vital to the promotion of design.
>
> Manufactures do not realize until it is too late that the designs specified by the buyers are illegal copies of registered designs and the finished products cannot be exported because they infringe on the rights of the original designers. In Indonesia, where access to information about design rights is not readily available, it is not possible to research beforehand whether the products ordered by the buyers infringe on existing design rights. As long as manufacturers rely on unscrupulous buyers for design, it is they who end up being branded as the ones infringing on design rights. This is an indication of just how weak producers are when they are at the back and call of buyers.
>
> The Cirebon rattan industry needs to rework its relationship with its buyers so that it does not merely manufacture the designs, but instead presents its own designs and the buyers choose which ones they want. Under this new relationship, the Cirebon rattan industry could escape from its current subcontractor status and surely achieve great growth and development.
>
> Law Nr. 5 of 1999 (concerning Monopoly and Anti Trust), prohibits monopoly activities and unhealthy competition, but this law doesn't regulate unfair competition, in particular the imitation of goods.

Other law relevant to the design issue is Law Nr. 19 of 2002 concerning Property Right. However, the law is not effective yet in preventing unfair competition in design. To conclude, developing a legal environment and the enforcement is vital for the promotion of design.

3.4 Rattan Resources Situation

An important consideration in addressing trade issue is the sustainability of rattan resource. If raw rattan export rate continues for a long period to come, then the possible impact is a declining rattan standing stocks in a higher rate both in natural forest and plantation. Meanwhile, more rattan planting and regeneration cannot be expected much. Based on data of ITTO expert, both large- and small-diameter commercial rattan would get in short supply in some years to come

(*ITTO-Indonesia, Rattan Standing Stock and Inventory, Tecnical Report*). It is due to the high rate of cutting, even at previous period of export regulation.

At present, the installed capacity of rattan industry in Indonesia totals to 533,000 tones of raw material (*ITTO-MOF Technical Report, 2006*), however industry can absorb only in the neighborhood of 108,658 tones a year. Another survey reported on the industry absorption is 165,737 tons per year. This amount is actually just a half of Indonesia rattan production, as calculated, of 250,000-300,000 tons annually. These numbers are far above the annual allowable cut for a sustainable resource utilization of 50,283 tons/year.

Table 4. Available standing stocks and annual allowable cut of Indonesia rattan

Island	Available standing stocks (ton dry)	Annual allowable cut (ton dry/year)
Kalimantan	146,833	13,093
Sulawesi	643,298	30,837
Sumatera	78,528	6,353
Total	868,659	50,283

Source: ITTO-MOF Technical Report (2006)

The above AAC apply for years ahead of 10-25 for Sumatera rattan, 7-20 for Kalimantan rattan, and 10-25 for Sulawesi rattan.

For Kalimantan area the species covers *Calamus caesius, Calamus flabelloides, Calamus optimus,* and *Calamus ornatus.* As for Sulawesi area, the species are *Calamus diepenhorstii, Calamus flabellatus, Calamus inops, Calamus minahasae, Calamus optimus, Calamus zollingerii,* and for Sumatera area*, Calamus caesious, Calamus manna, Calamus optimus, Calamus ornatus*, and *Calamus scipionum.*

CHAPTER 4. CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

(1) Types of rattans trsded in Indonesia include:

a. Raw rattan, in the form of wert rattan canes, put on the market by rattan farmers or cutters;

b. Raw rattan, in the form of dry rattan canes, put on the market by Vilage-level collector and Sub-district-level collector or inter-insular trader with trade destination Jawa island or export;

c. W&S rattan, those are washesd and sulfured plus, for some species, are polished, put on the market by Jawa-based large trader; it is a semi-finished product;

d. Core and skin, semi-finished rattans resulted from splitting process, put on the market by Semarang/Jepara-, Sukoharjo-, Cirebon-based medium scale traders and Jawa-based large trader; it is a semi-finished product;

e. Rattan end-products, as furniture, seats, floormat, bags, various crafts produced by manufacturers and sub-contractors.

(2) The lengthy trade chain of rattan business, beginning at rattan farmer/cutter and ended at traders and manufacturers is developed naturally, since economically it requires those who have capital to deliver rattans to traders and manufacturers.

(3) The low price of rattan at farmer/cutter level is attributed partly to the absence of initial-processing. Initial processing, washing and sulfuring, can increase rattan value in two ways, first it increases the value from wet to dry ones, second it protects rattan canes from fungi attack which frequently occurs.

(4) The success of 2005 trade policy allowing export of raw and semi-finished rattans (Ministry of Trade Decree Nr. 12/M-DAG/Per/6/2005) with respect to raising up rattan price that enables plantation expansion, regeneration and plantation maintenance, has not been proven so far. Additionally, as normally a policy, the *trade-off* to other stakeholders or economy has to be evaluated.

(5) The high intensity of government in regulating rattan business, in particular in 1990s periode, proves the importance of rattan in the Indonesia economy. The intervention and regulation ought to focus on strengthenning bargaining position of rattan producer farmer through development programs.

(6) Very view manufacturers produce furnitures with their own design, the production is based on design specified by overseas buyer. This producer-buyer relation although does not put the producers as loser, but it makes overseas buyer gain large profit from the substantially higher price they received from their re-sell of furniture.

(7) Current Law of Monopoly and Anti Trust (Nr. 5 of 1999) and Law of Property Right (Nr. 19 of 2002) are not sufficient in protecting rattan furniture design from unfair competition.

(8) High cost of transportation in Indonesia persists. This created a barrier for local traders to enter inter-insular or export business including in rattan.

4.2 Recommendations

(1) The policy that allows export of raw and semi-finished rattans beginning in 2005, needs to be evaluated comprehensively with repects to rattan farmers benefit and the trade-off it created. Along with this is evaluation for formulating necessary compelemnting programs in rattan development.

(2) Indonesia rattan furniture producers have to rework their business relationship with overseas buyer and start creating their own design.

(3) Law protection from government on furniture design is vital to prevent unhealthy competion. It has to include government facilitation, advocation, and program introduction for entrepreneur.

(4) Other stakeholders' support in rattan design promotion, direct and indirect, is required.

(5) The government has to start considering an incentive program to reduce high cost of sea transportation, as applied by other countries in the business.

Responsibility of the Report:

Endang Setiawan

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