



Economic Oligarchy and Environmental Damage in the Indonesian Pulp and Paper Industry

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Abstract: This study examines the relationship between economic oligarchic structures and environmental degradation in Indonesia's pulp and paper industry through a case study of PT Indah Kiat Pulp and Paper, part of the Sinar Mas Group. It aims to explain how concentrated corporate power shapes environmental governance and facilitates the externalization of ecological and social costs. The study applies Jeffrey A. Winters' oligarchy theory and a political economy of environment approach to analyze power concentration and regulatory influence. Using a qualitative case study design, data were collected through document analysis of government policies, corporate sustainability reports, scientific publications, environmental organization reports, and secondary data on deforestation, pollution, and social conflicts in the company's operational areas. The findings reveal that corporate economic dominance enables significant influence over environmental policy formulation and implementation, resulting in formalistic regulations and weak enforcement. Environmental costs are externalized through large-scale deforestation, waste pollution, and the marginalization of affected local communities. These outcomes indicate that environmental degradation is not merely a consequence of technical management failures but a structural effect of oligarchic economic configurations that constrain effective environmental governance. The study recommends governance reforms emphasizing transparency, accountability, strengthened public oversight, and broader community participation to promote ecological sustainability and social justice.

Keywords: Economic Oligarchy, Pulp and Paper, Environmental Damage, Environmental Governance, Ecological Justice

Introduction

Economic oligarchy refers to a system in which economic power is held by a small group of individuals or families with significant wealth and influence, often through monopolies or control over strategic resources (Faedlulloh et al, 2023). Globally, oligarchies can influence public policy and business practices, often leading to the interests of individuals or specific groups overriding the interests of the wider community (PY Pratama et al, 2019). This situation is particularly evident in industries that rely on the exploitation of natural resources, such as the forestry and agricultural sectors, where economic oligarchies encourage business practices oriented towards short-term profits while ignoring ecological impacts (Hosnah et al, 2024). This phenomenon is not merely an economic issue but is also closely related to ethical and sustainability issues, as it has the potential to

exacerbate social inequality and damage ecosystems vital to human life (Sihidi et al, 2024; Sihidi et al, 2025).

Environmental damage associated with economic oligarchy often occurs through irresponsible business practices, such as massive deforestation, water pollution, and increased greenhouse gas emissions (Qian, 2021). Oligarchs with substantial access to capital and political networks have the ability to circumvent regulations or even influence public policy to protect their economic interests (Sihidi et al, 2026; Hidayaturrahman et al, 2022). Consequently, countries with strong oligarchs tend to experience more rapid environmental degradation (Sihidi, Salahudin, et al, 2025), such as the loss of tropical rainforests and the decline in water resources, which ultimately have a direct impact on public health and long-term economic sustainability.

One relevant case study in the context of the relationship between economic oligarchy and environmental degradation is the Sinar Mas Group, a large Indonesian conglomerate founded by the Widjaja family and known as one of the largest economic oligarchies in Southeast Asia (Sari & Nugraha, 2019). This group controls various strategic sectors, including pulp and paper, palm oil, and property, with a wealth estimated at tens of billions of dollars. This vast economic influence allows Sinar Mas to play a significant role in shaping industrial policy, but at the same time, it is also associated with various environmentally damaging practices, such as forest fires and massive land conversion (VY Pratama & Rusyida, 2020).

This study focuses on PT Indah Kiat Pulp and Paper, a subsidiary of the Sinar Mas Group operating in Riau Province, Sumatra. This company is one of the world's largest pulp and paper producers, with a massive production capacity and a heavy reliance on wood from tropical forests (Tamboesai, 2022). Its operations have long been criticized by environmental organizations such as Greenpeace and WWF for contributing to deforestation, river pollution, and high carbon emissions. The case of PT Indah Kiat clearly demonstrates how the dominance of economic oligarchies can create tensions between the interests of economic development and environmental preservation, directly impacting local communities and the global ecosystem (Haq & Raj, 2019).

This study aims to analyze the relationship between the economic oligarchy structure of the Sinar Mas Group and the environmental damage caused by the operations of PT Indah Kiat Pulp and Paper (Qian, 2021). Using an interdisciplinary approach that combines economic, social, and environmental perspectives, this study seeks to explain the mechanisms of oligarchy, its impact on the environment, and the policy implications needed to encourage corporate responsibility (Nadzri & Hamil, 2024). Conflicts between corporations and local communities are often not resolved fairly due to power imbalances, where large corporations possess far greater resources than affected communities (Deshwal et al, 2019). This situation indicates that economic oligarchy not only impacts physical environmental damage but also creates social injustice and systematic human rights violations (Edelweis & Sadad, 2022).

Responding to international criticism, the Sinar Mas Group, through PT Indah Kiat Pulp and Paper, has announced a number of sustainability initiatives, such as the implementation of sustainable forest certification and a zero-deforestation commitment

(Gupta et al, 2019). However, reports from independent monitoring organizations indicate that the implementation of these policies remains far from adequate, with illegal land clearing and forest fires still being found in the company's concession areas (Sun et al, 2018). This discrepancy between public commitments and on-the-ground practices highlights the weakness of the oversight and law enforcement system, and demonstrates how economic oligarchs can exploit sustainability narratives to further corporate image interests without making substantive changes (Nurhadi & Fauzan, 2024).

Furthermore, previous research remains relatively limited in detailing how the structure of economic oligarchy concretely facilitates environmental degradation. Many studies tend to separate the analysis of economic oligarchy and environmental impacts as two separate issues, thus failing to explain the specific mechanisms linking them (Nurhadi & Fauzan, 2024). This limitation is crucial to address, as a more comprehensive understanding of the interactions between oligarchic structures, state institutional weaknesses, and ecological and social impacts is crucial for designing more effective policies, not only in Indonesia but also in other developing countries (Nadzri & Hamil, 2024).

Furthermore, research gaps are also evident in the limited studies examining the discrepancy between corporate sustainability commitments and actual practices on the ground, as well as the dynamics of regulatory capture that allow large corporations to avoid environmental accountability. Both aspects are crucial for understanding why environmental damage persists despite various regulations and formal commitments (Nurhadi & Fauzan, 2024). Therefore, this study seeks to address these gaps by placing the case of PT Indah Kiat within a more critical and integrated framework of oligarchic political economy analysis.

In addition to analyzing the role of corporations, this study will also examine the role of the Indonesian government in regulating and overseeing the pulp and paper industry, particularly regarding the enforcement of environmental regulations and the protection of local community rights. Although Indonesia has a relatively comprehensive legal framework for forest and environmental protection, its implementation is often hampered by corruption, weak institutional capacity, and the strong political influence of large conglomerates such as Sinar Mas (POHAN, 2018). By analyzing the relationship between the state, corporations, and civil society in the case of PT Indah Kiat, this study is expected to provide more concrete policy recommendations to strengthen corporate accountability mechanisms, increase public participation, and encourage transformation towards more inclusive and sustainable economic governance (Tamboesai, 2022).

Methodology

This study uses a descriptive qualitative approach with Oligarchy Theory as the main analytical framework to explain the relationship between the concentration of economic power and environmental damage in the pulp and paper industry in Indonesia, with a case study of PT Indah Kiat Pulp and Paper as part of the Sinar Mas Group. This approach was chosen because the issues studied are structural and political, not merely environmental technical. Oligarchy theory is used to analyze how the economic dominance of large

corporations influences public policy, environmental regulatory processes, and operational practices that allow for the externalization of ecological and social costs. The analysis focuses on the regulatory capture mechanism, the influence of economic elites on policymaking, and the weak enforcement of regulations that benefit oligarchic interests.

Data collection was conducted through a literature review of various relevant secondary sources, including academic literature on oligarchy and environmental political economy, corporate sustainability reports, government policy documents, investigative reports from environmental organizations, and secondary data on deforestation and pollution in Riau Province. Data analysis was conducted thematically by interpreting empirical findings using the Oligarchy Theory lens to identify patterns of power concentration, forms of corporate intervention in policy, and their impact on environmental degradation. The validity of the findings was maintained through source triangulation by comparing data from official documents, independent reports, and scientific publications. Through this approach, the study seeks to explain that environmental degradation is not simply an administrative failure, but rather a structural consequence of the dominance of economic oligarchy in natural resource governance.

Result and Discussion

The Sinar Mas Group's Economic Oligarchy Mechanism in the Pulp and Paper Industry

The Sinar Mas Group is one of Indonesia's largest conglomerates, with strong dominance in the pulp and paper industry through Asia Pulp & Paper (APP) and its subsidiaries, including PT Indah Kiat Pulp and Kertas. From the perspective of Oligarchy Theory, this dominance reflects the concentration of economic power in the hands of a handful of actors capable of controlling strategic resources and influencing the direction of public policy. Winters asserts that oligarchy is not only related to the accumulation of wealth, but also to the ability of economic elites to translate that wealth into political power to protect their interests from regulatory pressure and public demands (Damanik et al, 2025). In the context of the pulp and paper industry, Sinar Mas' ownership structure and influence demonstrate how concentrated economic power can shape environmental governance practices that benefit large corporations, despite incurring significant ecological and social costs.

The Sinar Mas Group's oligarchic mechanism is rooted in a capital accumulation strategy established during the New Order era through patronage relationships between large businesses and the state. Hermawan (2025) explains that economic oligarchy in Indonesia develops through close ties to political power, allowing conglomerates to gain privileged access to natural resources, permits, and policy protection. In the pulp and paper industry, APP's consolidation since the 1990s—through the integration of PT Tjiwi Kimia and PT Indah Kiat Pulp and Paper—has made Sinar Mas one of the world's largest pulp and paper producers with a production capacity of over four million metric tons per year. This consolidation strengthens the company's oligopolistic position in the domestic market while increasing its influence over national forestry and environmental governance policies.

The ownership structure of the Sinar Mas Group also exhibits the characteristics of a modern oligarchy, utilizing a network of holding companies and offshore entities to secure economic interests. Research by Indriati et al. (2020) revealed that the ownership of APP's pulp and paper mills in Indonesia is connected to a network of companies registered in various jurisdictions, including Singapore, Hong Kong, the British Virgin Islands, and Mauritius. This complex and opaque corporate structure allows the company to obscure direct responsibility for deforestation and environmental pollution, while weakening public accountability mechanisms. Within the framework of oligarchy theory, this practice constitutes a form of wealth defense, a systematic strategy by the economic elite to protect their assets and interests from state scrutiny and public scrutiny.

Market dominance is a crucial element in Sinar Mas's oligarchic mechanism. Tambunan (2023) shows that the Indonesian pulp and paper industry has an oligopolistic structure, with the APP Group holding the largest market share, followed by the APRIL Group, Fajar Surya Wisesa, and PT Pabrik Kertas Indonesia. This market concentration strengthens Sinar Mas's bargaining position in determining production standards, supply chains, and industrial policy direction. Under these conditions, environmental regulations tend to lose their coercive power because the state is in a weak position vis-à-vis large corporations. This phenomenon aligns with the findings of Wijaya and Jones (2025) who assert that the concentration of extreme wealth in the hands of a handful of oligarchs creates an imbalance of political power that allows for regulatory capture, where public policy reflects corporate interests rather than environmental protection.

In practice, Sinar Mas's oligarchic mechanisms operate through a combination of political lobbying, influence over the bureaucracy, and the creation of a favorable public narrative. Sahab et al. (2025) demonstrate that large conglomerates in Indonesia have the capacity to control public opinion through media control, public relations campaigns, and corporate social responsibility (CSR) programs. APP actively promotes various sustainability commitments, including a zero-deforestation policy and sustainable forest certification, as a strategy to defuse international criticism. However, various investigative reports have shown a gap between these formal commitments and practices on the ground, particularly regarding new land clearing, water pollution, and conflicts with local communities. From the perspective of oligarchy theory, this sustainability narrative can be understood as a form of symbolic legitimacy aimed at maintaining business stability without fundamentally changing exploitative production patterns.

Regulatory manipulation and weak law enforcement are key components in the sustainability of this oligarchic mechanism. Hermawan (2024) explains that economic oligarchs have the ability to influence the policy-making process through political lobbying, campaign funding, and close ties with bureaucratic officials. In the forestry and pulp and paper sectors, APP has repeatedly benefited from lax concession licensing processes, weak environmental oversight, and minimal administrative sanctions (Abimanyu et al, 2023). These conditions create a business environment permissive of the externalization of ecological costs, where forest destruction, river pollution, and social conflict are borne by communities, while economic profits remain concentrated among the corporate elite.

Overall, the Sinar Mas Group's oligarchic mechanisms in the pulp and paper industry demonstrate that the environmental damage is not merely a technical or administrative failure, but rather a structural consequence of the concentration of economic power. Through market dominance, political influence, regulatory manipulation, and the creation of sustainability narratives, the economic oligarchy is able to maintain environmentally damaging production practices without facing adequate accountability. These findings underscore the relevance of Oligarchy Theory as a primary analytical framework for understanding why environmental policies often fail to protect the public interest when faced with the dominance of large corporations.

Environmental and Social Impacts of PT Indah Kiat Pulp and Paper Operations

Large-scale pulp and paper operations, such as those of PT Indah Kiat Pulp and Paper, a subsidiary of the Sinar Mas Group, generate complex, systemic, and cross-sectoral environmental and social impacts (Ramadhani & Sudioanto, 2021). This industry is a highly resource-intensive manufacturing sector, particularly in the use of wood, water, and energy, and generates large amounts of waste. Therefore, pulp and paper production activities exert significant ecological pressures, from local to global scales, particularly in relation to the biodiversity crisis and climate change (Andriani, 2022). From the perspective of Oligarchy Theory, PT Indah Kiat cannot be understood simply as an ordinary business entity, but rather as part of an economic power structure capable of influencing public policy and environmental governance. The company's market dominance and capital strength enable the externalization of environmental and social costs to surrounding communities, resulting in ecological damage and social inequality becoming structural consequences of the resource-extraction-based industrial model (Colivicchi & Iannucci, 2024).

1. Ecological Damage and Environmental Degradation

The most fundamental environmental impact of PT Indah Kiat Pulp and Paper's operations is deforestation and ecosystem degradation, particularly in Riau Province, home to highly vulnerable tropical forests and peatlands. The company's high demand for wood raw materials has driven it to rely on supplies from monoculture-based industrial timber plantations (HTI). This practice leads to habitat fragmentation, biodiversity loss, and the simplification of natural forest ecosystems (Jiang et al, 2021). A recent investigation revealed that supply chains connected to the Asia Pulp and Paper (APP) Sinar Mas Group have still cleared approximately 376.80 hectares of natural forest, despite the company's announced zero-deforestation policy commitment (Jiang et al, 2021). These findings indicate a gap between the company's sustainability claims and actual practices on the ground.

Besides deforestation, water pollution is the ecological impact most directly felt by local communities. The pulp and paper production process requires enormous amounts of water and produces liquid waste containing dissolved organic matter, hazardous chemical compounds, and heavy metal residues. Sharma et al. (2022) explain that liquid waste from the pulp and paper industry generally has high Biological Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) values, thereby reducing dissolved oxygen levels in water bodies and threatening the sustainability of aquatic ecosystems. In the context of

economic oligarchy, weak state oversight and strong corporate bargaining power often result in waste management standards not being strictly enforced, resulting in ecological costs being passed on to the community.

2. Air Pollution and Public Health Impacts

In addition to water pollution, pulp and paper mill operations also generate significant air pollution. The production process requires significant energy, typically obtained through the combustion of biomass and fossil fuels, resulting in emissions of sulfur dioxide (SO₂), nitrogen oxides (NO_x), carbon monoxide (CO), and fine particulate matter (PM_{2.5} and PM₁₀). These emissions have the potential to spread to residential areas surrounding the mill, increasing the risk of public health problems. Dionne and Walker (2021) suggest that long-term exposure to industrial pollutants can increase the prevalence of chronic respiratory diseases, particularly in vulnerable groups such as children and the elderly.

Within an economic oligarchy, large corporations often have the power to influence environmental licensing and oversight processes. As a result, violations of air quality standards are not always subject to strict sanctions. This situation creates what Solomonian and Ruggiero (2021) call environmental injustice, where communities with low socioeconomic status bear a disproportionate share of the health and ecological burdens. In the case of PT Indah Kiat, the community's economic dependence on the company narrows the space for protest and strengthens the corporation's dominant position in local social relations.

3. Industrial Waste and the Challenges of a Circular Economy

The pulp and paper industry also produces large amounts of solid waste such as sludge, combustion ash, and fiber residue. Within the sustainable development paradigm, this waste should be reprocessed through circular economy principles. Abushammala et al. (2023) and Amândio et al. (2022) show that pulp and paper waste has the potential to be converted into alternative energy and value-added raw materials. However, the implementation of a circular economy in this industry remains very limited.

Water quality studies around the operational area indicate signs of industrial wastewater pollution. Laboratory measurements reported a river water pH of 5.99–6.05, Dissolved Oxygen (DO) of only 3.47–4.36, and BOD in the moderate pollution category (1.05–1.78). These parameters indicate significant ecological pressure on the aquatic ecosystem and the potential to disrupt community water sources. These findings demonstrate that waste management is not yet optimal and does not align with circular economy principles (Moraes et al, 2021).

From an oligarchic perspective, investment in waste treatment technology is often seen as a cost burden that is not profitable in the short term. Consequently, companies tend to selectively adopt environmentally friendly technologies only when there is market pressure or international regulations. Marsiglio and Privileggi (2018) assert that without

strong governance reforms, large companies have an economic incentive to maintain cheaper, exploitative production models despite their negative environmental impacts.

4. Social Impacts: Land Conflicts and Social Inequality

The most prominent social impact of PT Indah Kiat Pulp and Paper's operations is the emergence of protracted land conflicts with local communities. These conflicts have persisted since the early phase of HTI expansion in the late 1980s and 1990s, particularly in the Riau region (Wulandari & Sadad, 2022). The state issued concession permits during this period in a top-down manner without adequate recognition of customary rights and community management areas. Andriani (2022) shows that forestry conflicts in Indonesia are largely rooted in licensing policies that ignore the social and historical aspects of land ownership.

As pulp and paper production intensified, these conflicts escalated, often accompanied by criminalization of residents, restrictions on land access, and unilateral corporate claims over community living space. To date, these conflicts remain latent and continue to resurface when companies expand or rejuvenate their plantations (Andriani, 2022). Within the framework of oligarchy theory, these conflicts reflect the unequal power relations between large corporations with strong political and economic support and local communities with limited bargaining power.

Social inequality is also evident in the unequal distribution of economic benefits. While companies enjoy significant benefits from global market integration, surrounding communities face significant ecological and social risks. A study by Yuwono et al. (2025) shows that regions dominated by land-based extractive industries tend to have higher levels of income inequality than other regions. This strengthens the argument that the environmental damage caused by PT Indah Kiat is not simply a technical issue, but a structural consequence of the dominance of economic oligarchs in natural resource management.

Overall, the environmental and social impacts of PT Indah Kiat Pulp and Paper's operations demonstrate how the concentration of economic power within an oligarchic structure allows for the systematic externalization of ecological and social costs. Forest destruction, water and air pollution, and land conflicts are not incidental policy failures, but rather the product of unequal power relations between large corporations, the state, and communities. These findings emphasize that without governance reforms that limit oligarchic dominance, environmental protection and social justice will be difficult to achieve substantially.

Governance and Regulatory Challenges in Controlling the Impact of Economic Oligarchy

The environmental damage and social impacts caused by PT Indah Kiat Pulp and Paper's operations demonstrate fundamental weaknesses in environmental governance in Indonesia. Normatively, the state has a constitutional mandate to manage natural resources for the prosperity of the people and to protect the environment. However, in a political economy dominated by oligarchies, environmental regulations often serve not as a firm instrument of control but rather as a negotiation platform between the state and large

corporations (Vidal et al, 2021). This failure is institutional and systemic, with state institutions facing not only limited technical capacity but also political pressures that diminish their independence in enforcing environmental laws (Haile et al, 2021). As a result, environmental governance focuses more on addressing impacts after damage has occurred, rather than on prevention, perpetuating the cycle of ecological degradation and social injustice within the pulp and paper industry.

1. Economic Oligarchy and Weak Environmental Law Enforcement

Within the framework of Oligarchy Theory, the concentration of economic power in the hands of a handful of large actors creates an asymmetry in power relations between corporations, the state, and society. This asymmetry has direct implications for weak environmental law enforcement. Purnawati (2024) explains that environmental violations by large corporations often go unpunished due to conflicts of interest, weak legal supremacy, and patronage relations between political and economic elites. Many cases of environmental damage are resolved only through administrative sanctions or fines that are relatively small compared to the economic benefits obtained by the company. This situation creates a structural incentive for corporations to continue violating regulations, as the costs of full compliance are much higher than the costs of violation.

The central and regional governments have indeed responded to various environmental issues in Riau, particularly forest and land fires, water pollution, and peat degradation, through compliance audits, administrative sanctions, and the formation of special task forces (Jusi et al, 2023; Anjani et al, 2025). However, the effectiveness of these policies is often limited. From an oligarchy theory perspective, this limitation can be understood as a result of the dominance of economic elites, who have the ability to influence policy processes and law enforcement. The state does not act as a completely neutral actor, but rather as an arena for contested interests, where groups with the greatest resources have a greater opportunity to influence policy outcomes. As a result, environmental policies tend to be directed toward maintaining investment stability and corporate interests rather than ecological protection and social justice.

2. Environmental Regulation in Oligopoly Structure

The Indonesian pulp and paper industry operates within an oligopoly market structure, where a few large companies control the majority of national production capacity. This structure creates problematic regulatory dynamics. Chen et al. (2022) show that in oligopoly markets, the effectiveness of environmental policies is heavily influenced by the political power of corporations. When corporations wield significant influence over regulators, environmental policies tend to be weakened or tailored to industry interests.

The case of PT Indah Kiat illustrates this dilemma. Indonesia already has formal regulatory instruments such as environmental impact assessments (EIA), emission standards, and environmental permits. However, their implementation is often inconsistent and lacks transparency. The Environmental Kuznets Curve approach shows that economic growth does not automatically improve environmental quality, especially in developing countries with weak institutions and high inequality (Neagu & Neagu, 2022). In the context

of economic oligarchy, the expansion of the pulp and paper industry actually increases ecological pressure because economic profits are concentrated in the hands of a handful of actors, while environmental costs are borne by the wider community (Qian, 2021).

The regulatory weaknesses surrounding PT Indah Kiat are evident in several key aspects. First, waste quality standards are often set based on the company's "technological capabilities," resulting in looser standards compared to international standards. Second, the fragmented licensing mechanism between the central and regional governments opens up ample room for negotiation for corporations (Noerdin & Mar'iyah, 2024). Third, the administrative sanctions imposed are disproportionate to the scale of damage, rendering environmental violations merely "operational costs" for the company. Fourth, public participation mechanisms in the Environmental Impact Assessment (EIA) process are very weak, resulting in strategic decisions being made without adequate accountability to affected communities (Qian, 2021; Rapati et al, 2023). This institutional fragmentation leads to inconsistent and permissive enforcement of environmental laws against large corporations.

3. Corporate Social Responsibility and Greenwashing Practices

In the context of weak regulatory enforcement, Corporate Social Responsibility (CSR) programs are often positioned as an alternative mechanism to mitigate social and ecological impacts. PT Indah Kiat has implemented various CSR programs, ranging from village infrastructure development, educational scholarships, productive economic assistance, and public health facilities (FADILLA, 2024). Empirically, these programs do provide short-term benefits for some communities, such as improved access to basic services and local economic opportunities (Ramadhani & Sudianto, 2021).

However, the effectiveness of CSR as a tool to mitigate the impacts of oligarchy is very limited. CSR programs tend to be compensatory and selective, reaching only specific groups or regions deemed strategic to corporate interests, while communities directly impacted by pollution are often neglected (Susanti & Hasudungan, 2020). Criticisms from WALHI Riau and Jikalauhari point to discrepancies between corporate sustainability reports and conditions on the ground, such as peatland clearing, recurring forest fires, and ongoing river pollution (Vilantina, 2018; Saputra, 2019).

Within the framework of Oligarchy Theory, CSR functions more as a tool for social legitimacy and reputation management than as a transformational mechanism. Putra and Anita (2023) assert that minimal state oversight and low public participation in CSR evaluations make these programs more likely to serve as symbolic instruments to quell public criticism. Thus, CSR fails to alter the unequal power relations between corporations and society, nor does it address the structural roots of environmental damage caused by extractive business models.

4. Challenges Towards Equitable Environmental Governance

The main challenge in controlling the impacts of economic oligarchy lies in developing more democratic, transparent, and equitable environmental governance. Minter et al. (2023) emphasize the importance of recognizing the rights of local and indigenous

communities in sustainable forestry management. Without such recognition, sustainability policies will remain technocratic and ignore social realities at the grassroots level.

Environmental governance reform requires a redistribution of power to prevent large corporations from dominating decision-making processes. A shift from a state-corporate governance model to participatory environmental governance is needed, in which affected communities have a real bargaining position in policy planning, monitoring, and evaluation (Pulansari et al, 2022). Meaningful participation is not merely a consultative formality but must serve as a corrective mechanism against the oligarchic concentration of power that has imposed ecological costs on local communities (Rio et al, 2022).

Thus, environmental governance reform is not merely a technical-regulatory issue, but a political-economic agenda involving power relations between the state, corporations, and society. Without structural changes that limit the dominance of economic oligarchies, environmental regulations will remain weak, and ecological damage in the pulp and paper industry will be difficult to sustainably halt.

Conclusion

This study demonstrates that environmental degradation and social inequality associated with the operations of PT Indah Kiat Pulp and Paper, part of the Sinar Mas Group, are not merely the result of technical or managerial shortcomings but stem from structural oligarchic arrangements that concentrate economic and political power. Such configurations enable corporations to systematically externalize ecological and social costs while exerting significant influence over environmental governance processes, resulting in weak regulatory enforcement and formalistic compliance. Consequently, deforestation, pollution, and the marginalization of local communities persist as structural outcomes of unequal power relations between corporations, the state, and affected populations, indicating that environmental problems in the pulp and paper sector are deeply embedded in broader political-economic dynamics rather than isolated operational failures.

Addressing these challenges requires comprehensive governance reforms that strengthen regulatory independence, enforce stricter environmental standards, enhance corporate transparency and accountability, prevent regulatory capture, and expand meaningful community participation in monitoring and decision-making. Consistent law enforcement, open access to environmental information, and multi-stakeholder oversight mechanisms are essential to ensure compliance and rebuild public trust. This study is limited by its qualitative case study focus on a single company context, which may constrain the generalizability of the findings. Therefore, future research should undertake comparative and longitudinal analyses across multiple firms and regions, and adopt mixed-method approaches integrating political economy, environmental science, and community-based perspectives to more rigorously evaluate regulatory effectiveness and develop scalable governance models that promote ecological sustainability and social justice.

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