

Lenders seek ways to save Southeast Asian forests

By Ioannis Gatsiounis International Herald Tribune
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KUALA LUMPUR Nowhere are the contradictory challenges of sustainable development more evident than in Southeast Asia, where export-driven economies and infrastructure improvements have lifted people out of poverty, but up to 90 percent of the region's primary forests have been lost.

International donors acknowledge that their funding practices have sometimes fueled both development and destruction, and have begun to attach environmental criteria to their funding policies.

The Asian Development Bank, for instance, says it will no longer finance any rural infrastructure or other public investment project that significantly contributes to deforestation. The World Bank says it is increasing lending to local conservation agencies.

"Resources will be provided to countries that improve governance," said James Adams, the World Bank's vice president for operational policy and country services.

The World Bank and the ADB are working with rights groups to pressure governments in the region to adopt legal frameworks that deter logging. Still, legal frameworks achieve little without political will for change, which has often been lacking in the region.

The banks, too, have sometimes ignored failures to meet forest management conditions set for their loans. The World Bank released \$15 million of a structural adjustment credit for Cambodia last year, despite illegal logging that continued unabated - mostly to the benefit of a small group of companies and individuals with close ties to senior politicians.

But even if the lenders threaten to revoke substantial funding- the World Bank for instance committed \$300 million to 48 biodiversity conservation projects in Southeast Asia from 1999 to 2004 - they have less leverage than they did in the past because of Asia's new wealth.

"Before, the developed world drove issues," Adams said. "Now what you see are financial surpluses" in Asia.

In particular, China's thirst for natural resources and its determination to play a larger role in Southeast Asia are overriding the effort to sponsor sustainable development in the region.

Trade between the 10 member countries of the Association of Southeast Asian Nations and China rose 30 percent last year.

China is the world's largest importer of illegally logged timber, said Kevin Conrad, director of the recently established Coalition for Rainforest Nations at Columbia University's Earth Institute in New York. "Unless they stop, there is nothing we can do about illegal logging in the region."

In August the Chinese government proposed to fund the conversion of 4.4 million acres, or 1.8 million hectares, of Indonesian Borneo into the world's largest palm plantation. The proposed plantation site is mountainous and not well suited for palm production, leading some, like Tom Dillon, a director at the World Wildlife Fund, to wonder whether the project is "really about oil palm, or subverting forestry laws?"

Indonesia has lost more than four million hectares of forest since 2000, according to a report by the wildlife fund.

Several Indonesian timber barons have been arrested, and their operations shut, since President Susilo Bambang Yudhoyono was elected on an anti-corruption mandate last year. But many of these operations have quietly been restarted, said Jessica Lawrence, executive director of Borneo Project, an environmentalist and human rights group based in Berkeley, California.

Ironically a major abettor in Indonesia's deforestation is its neighbor, Malaysia. Lawrence said the Malaysian government had worked hard to develop a regulated and apparently law abiding logging industry, with a reputation for legitimacy that has allowed it to sell wood to multinationals leery of buying Indonesian timber.

But, for a small bribe, illegal loggers in Indonesia can haul logs across the Borneo border to be stamped with a Malaysian seal and sold on to China and beyond.

Malaysian companies handle 75 percent of the wood exported from Indonesia, Conrad said.

Malaysian forestry officials say the scale of illegal imports from Indonesia has been exaggerated, but concede that the border in Borneo is porous, and local officials may have been bribed.

"We don't condone corruption," said an official of the Sarawak, Malaysia, state forestry corporation. "But it is difficult to monitor illegal activity."

"There is very little actual evidence of corruption," agreed Chen Hin Keong, senior forestry adviser in Kuala Lumpur of the environmental group Traffic International. "This isn't to say it's not happening."

Legal and illegal deforestation will continue unless alternative forms of livelihood are created, said Dana Clark, president of the International Accountability Project, another Berkeley-based environmental and human rights organization.

The World Bank is seeking to address that problem in part through a prototype carbon fund set up in 2000 to encourage the reduction of greenhouse gas emissions and provide finance for sustainable development.

It is also helping to finance construction of a \$1.3 billion dam in Laos, the Nam Theun 2 hydroelectric project, which will provide one of the world's poorest countries with a steady stream of revenue from electricity sales to neighboring Thailand.

A Laotian presidential decree outlaws the export of timber from the flooded reservoir area. "That's the law," said Thayer Scudder, an anthropology professor at the California Institute of Technology and an expert on the social impact of large dams. "But will it be implemented? Or will Laos export both timber and power?"