Forests’ Role in the Fight Against Poverty and for Peace and Prosperity in Asia and the Pacific

David Kaimowitz

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SESSION: KEYNOTE ADDRESS

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DAVID KAIMOWITZ
Email: d.kaimowitz@cgiar.org

Introduction

It is truly an honor to have the opportunity to contribute to this conference, and it is wonderful to see so many people interested in hearing about forests. I would like to start by thanking the Crawford Fund and all its partners in the Australian aid community for their incredible work in putting this conference together.

I don’t need to tell you that forests can be a very emotional and controversial topic. All you have to do is look at how logging in Tasmania became a hot issue in last October’s Australian elections.

What you may not have thought much about is just how important forests are to Australia’s neighbours, and what that means for regional stability and Australia’s own national interests. That is what this paper is about. To avoid confusion, all of the economic figures I will use are in Australian dollars.

Economic growth in Indonesia

Let me start first with Indonesia, Australia’s large neighbor to the north. For much of the last thirty years, forest products have played a big role in the country’s economy.

Last year they provided about one-eighth of all the country’s exports. Those exports were worth more than twice as much as all of the foreign aid Indonesia received last year. Without them, the country would be in a lot of trouble.

Looking ahead, though, the prospects are pretty worrisome. Indonesia’s big forestry export used to be plywood, but over the last twelve years plywood exports have fallen from over $6 billion dollars to less than $2.5 billion dollars. Indonesia’s forests are running out of big, high-value logs in accessible places, and many of the logs that do come out are going illegally to China and Malaysia, and not to Indonesia’s plywood mills.

So far, total forestry exports probably haven’t fallen much because pulp and paper and furniture have picked up most of the slack. Indonesia went from practically no pulp and paper exports fifteen years ago to almost $4 billion dollars today, and furniture exports are almost $1.5 billion now. However, looking forward, we can see a lot of problems getting raw materials. Pulp mills can use much smaller logs than plywood mills, but even those are starting to run out in the areas close to the big mills. And Indonesia’s famous teak plantations, that go way back to the Dutch colonial days, have been tremendously depleted, putting the whole furniture industry at risk.
Forests and the financial crisis

I wish I could say that future declines in forestry exports were the only way that forests are linked to Indonesia’s economic problems. But unfortunately that is not the case.

During the 1990s, Indonesian forestry companies borrowed over $26 billion dollars, supposedly to build new processing plants and put in plantations. Actually, in a number of cases they simply pocketed the money, getting rich by taking out the loans.

When the Asian financial crisis hit in 1997–98, these companies found a perfect excuse not to pay back their loans. To keep the banks from going bust the Indonesian government took over many of those bad loans, and had to pick up most of the bill, and lost several billion dollars in the process. Foreign banks also lost billions of dollars. And I am not just talking about something in the past. Right now Bank Mandiri, Indonesia’s largest bank, which is owned by the government, is having serious problems again in part because of bad forestry loans.

You might say these things happened with all sorts of companies, not just forestry companies. But forestry companies were a big part of it. They were responsible for about one-eighth of the bad loans that ended up in the Indonesian Bank Restructuring Agency, and the Asia Pulp and Paper $18 billion dollar default ranks right up there with ENRON, Worldcom and Parmalat among the world’s most costly corporate scandals.

These scandals and the fact that lenders had so much trouble getting a fair hearing in the courts are one main reason Indonesia is finding it so hard to get new foreign investment.

Declining forestry employment

All these things I have been talking about have real consequences for real people. Over one million people work in Indonesia’s wood-based industries, and another six million or so get a significant part of their income from forest-based activities.

The huge extent of deforestation and unsustainable logging in Indonesia is making it harder and harder for these people to earn a living. It is also getting harder for the tens of millions of people who hunt for food and collect medicinal plants to find them in the forest.

Pulp and paper provides many fewer jobs than does plywood, and hundreds of thousands of people could soon lose their jobs in Java if their furniture factories and carpentry shops run out of teak. Last June, Indonesia’s Central Statistic Agency announced that the country had lost half a million jobs in wood-based manufacturing in just one year, and that could be just a sign of things to come.

Tackling corruption

When Indonesia had its financial crisis in 1997 and the international community bailed it out, the IMF set out 50 conditions that Indonesia had to meet to get new loans. Five of them focused on forestry. That wasn’t because the IMF had been taken over by a bunch of fuzzy-eyed foresters — it was because they understood that forestry had become the prime symbol of bad governance and crony capitalism, and if they wanted to show they were serious that was where they had to start.

Right now, Indonesia’s current President, Susilo Bambang Yudhono, seems to be thinking along exactly the same lines. That is why, every time he talks about good governance and the fight against corruption, he talks about illegal logging, and it is why he’s staked his reputation on doing something about it.

It is not just a question of collecting a couple of billion dollars worth of taxes each year or saving the environment. It is about establishing the rule of law. And unless Indonesia can do that, it is going to be very hard for the economy to keep growing and to attract new investment. So there is no doubt the people of Indonesia could benefit enormously by improving governance in the forestry sector.

Forest fires and endangered species

Finally, before I get off the topic of Indonesia, let me describe some of the environmental aspects at stake.

Indonesia’s terrible forest fires in 1997/98 poured 600 million t of carbon into the atmosphere. Those forest fires alone were responsible for 8% of all the global carbon emissions that year. That is an incredible figure, and if current trends continue, the next time we have a major El Niño event, things could be even worse.

Roughly 15% of all the world’s birds, mammals, reptiles, and amphibians live in Indonesia, as well
as one out of every ten plants. Many of those species don’t live in any other place, and they include many of the plants and animals the world will need to make the drugs and crop varieties of the future.

But the system that was set up to protect all these species has practically collapsed. According to a recent *Science* article, more than half the lowland protected forests in Indonesian Borneo have already completely disappeared, and things on Sumatra are probably even worse.

**Papua’s timber**

Needless to say, Papua New Guinea is another one of Australia’s most important neighbours. PNG is a country where forests still cover two-thirds of the land, and they produce more than one-tenth of all exports. However, timber exports peaked in 1997, and it is becoming harder and harder to find high-value timber in accessible places. That is particularly worrisome because PNG’s oil, gold and copper exports, where most of its money comes from, have also been going down.

Right now, PNG exports forestry products worth about $170 million annually. A large share of that money should be going to the government and the local villagers that own the forest, but in fact almost all of it is going to five Malaysian logging companies who have shown little interest in the country’s development. If those companies were more careful about the way they logged, PNG could continue to harvest more or less the same amount of timber forever. But the way PNG’s forests are being mistreated, they soon won’t have much harvestable timber.

**Papuans need their forest**

Papua is also a country where the people rely very heavily on their forests. About 80% of its population lives in rural areas, where almost all people use fuelwood to cook, and hunt for meat and collect fruit and insects and medicines from the forest. Wild sago palm is the main staple for some of the lowland people. It is these things that have kept many rural Papuans from going hungry or getting sick, even though they have very little cash and not many doctors.

**Violence in the Solomons**

One other important neighbour, the Solomon Islands, provides a good example of another key issue when it comes to forests: the link between forests and peace.

Here we have a country that gets more than half of all its export earnings from timber; and interest in getting hold of that timber has played a big role in what has happened there since the crisis of 1999.

Indeed, it is not far-fetched to say that if the Solomons’ forestry issues had been addressed early on, Australia would not have had to send troops.

And it is not just the Solomons. Fights about timber were also major factors in the coup in Fiji five years ago. And if we look at things more generally, we can also trace back a lot of the violence in places like Mindanao, Myanmar and parts of Indonesia to poor governance in forested regions.

After last year’s terrible tsunami, the whole world was struck by Australia’s kindness and generosity when it pledged one billion dollars to help Aceh. But until the killing stops in Aceh’s forests the province’s people will never be able to put their sorrow behind them.

**Forests in a global perspective**

All this time I have been talking about the Pacific, because I know those forests are closest to home. But the same things I have been talking about also apply when we look more broadly.

Forests are an incredible resource. They support multi-billion dollar industries.

They provide food and shelter, medicine and energy to hundreds of millions of people who have nowhere else to turn. They regulate our climate, clean our water, and house most of the species on our planet. Nonetheless, we continue to destroy tens of millions of hectares of our forests each year. Most of the money goes into a few people’s pockets, and forest-related corruption and conflict is destabilising entire societies.

Clearly, the present approach is not working, but we still don’t know what will. That’s going to take research. And it’s going to take the guts to stand up and look at why we are failing, and also why some things are going right.
From mining to managing

We also urgently need to move from a vision of forestry as a way to harvest God’s gifts towards a sector that reaps what it sows and constantly struggles to improve its efficiency.

Asia and the Pacific have a huge potential for forest plantations and agroforests, and over the last ten years the region has made a lot of progress. On the one hand there are big acacia plantations in Indonesia, but also millions of small farmers planting eucalypts, poplars, teak, pines and many other species throughout the region.

The huge Chinese demand for forest products has opened up all sorts of new markets; and India may well soon follow. As it gets more and more expensive to get out timber from natural forests, these other sources will keep getting more important.

That is another area that is going to need a lot more research. It is not just a matter of having better planting material — although that is pretty important — it is also about getting the policies and institutions in place that will make this new approach really take off. As we move from a completely extensive approach to forestry to a more intensive approach, information will be the key.

Australia can lead the way

With all these things that I’ve described, Australia has a lot to offer.

The Australian aid program’s strong focus on good governance, building capacity to prevent conflict, and sustainable resource management directly addresses the things that I have been talking about. Countries like Indonesia could learn a huge amount from your experience with Regional Forest Agreements and the way the Federal Government works with the states. Australian universities have a wealth of knowledge about tropical forests and forestry, and are training many of the region’s future leaders. Australian expertise on money laundering could be a powerful tool to combat illegal logging.

ACIAR’s forestry projects are making a real difference in many Asia Pacific countries. They had great success with eucalypt plantations in southern China, and they are now tackling crucial issues such as how to make decentralisation work in Indonesia and how to get farmers more money from timber in PNG.

But you cannot stop there. If Australia is really concerned about poverty, governance and regional stability; if Australia cares about the environment and sustainable development; if Australia truly wants to advance its own national interests, then forests have to be a bigger part of your concerns.

Twelve years ago, Australia played a central role in founding CIFOR, the centre that I direct; and we are very aware that we owe a lot of whatever success we’ve had to all our support from downunder. ACIAR and the Australian aid program were willing to go out on a limb to support us, because they thought forests were important.

I confirm that forests and forestry have never been more important to this region than they are today. When it comes to forests and forestry, the region needs Australia, and Australia needs the peace and prosperity that good forest management can bring.