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Balancing growth with environmental sustainability

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President Susilo Bambang Yudhoyono told CNN recently that Indonesia was committed to achieving a 26 percent reduction in CO2 emissions by 2020 while concurrently maintaining its rapid economic growth. This is certainly a laudable goal considering Indonesia is now the third-largest producer of greenhouse gases in the world. The question now is how do we achieve this goal of emissions reduction without compromising economic growth?

Indonesia has lost 0.5 million hectares of forest every year for the last 10 years due to agricultural expansion, shifting cultivation, illegal logging and forest fires. As a result, three-quarters of our total CO2 emissions come from land use. Achieving the President's goal will require the enacting of a balanced policy that curtails total emissions from land use, promotes job creation and encourages sustainable forestry.

Indonesia has three contradictory laws pertaining to forest management — the 2004 Law on Regional Governance, the 2004 Law on Fiscal Balance and the 1999 Law on Forestry — which makes this difficult.

These laws result in conflicting legal interpretations by forest communities, regional governments and the central government, which destroys the incentive to practice sustainable forest management and promotes illegal logging. Meanwhile, Presidential Instruction No. 4/2005, which calls on all relevant government agencies to more firmly enforce existing laws, has not been effective in bringing clarity.

The international community could benefit from Indonesia keeping its forest carbon stocks undisturbed. In fact, Indonesia has leverage to negotiate fair compensation in return for reducing logging and land clearing for oil palm plantations. Indonesia recently signed a letter of intent with Norway to begin a two-year moratorium on new logging, in which Indonesia will be compensated up to US$1 billion.

And programs such as Reducing Emissions from Deforestation and Forest Degradation (REDD) are working with forest-rich countries like Indonesia to help provide financial incentives in return for maintaining our forests. The effectiveness of an agreement to keep our forests intact depends on how the compensation is distributed among all stakeholders. During the New Order era, forest management was controlled by the central government, but under the current regional autonomy scenario numerous actors are involved in the forestry sector.

A massive vertical and horizontal integration of coordination across central government, regional governments and forest communities is necessary to develop a fair compensation plan for each, and to find a way to keep forests standing. Leaving even one party behind will undermine the integrity of such an international agreement and negate the incentives, through policies such as REDD, to slow down the deforestation process.

Beyond this, one must consider the capability of the Indonesian government to negotiate fair compensation comparable to the cost of slowing down deforestation. Harvesting our forests and related products contributes roughly 7 percent to our GDP and roughly 9 percent of our trade. Slamming the brakes on deforestation without compensation would likely slow down economic growth and job creation.

Some international compensation, either through bilateral agreements or REDD, can be used to reforest degraded land, adopt sustainable agriculture practices, train local labor forces, create more jobs and offset economic growth. Part of this innovative policy should include a strategy to eliminate the most important driver of deforestation: poverty. Roughly 35 million Indonesians live below the poverty line, with many living in close proximity to forests. Many poverty-stricken communities clear land and plant crops without even bothering with the sale of cleared mixed tropical hardwood.

If forests were to remain intact, these individuals could develop new oil palm plantations utilizing already degraded non-forest land instead of clearing existing forests. Oil palm looks good from an economic standpoint, generating more employment and income than low-intensity cultivation or logging. Oil palm

also absorbs carbon dioxide and releases water vapor as it grows. It also stores more carbon than the degraded land. Rather than destroying more rainforest for shifting cultivation, local traditional farmers could go into the oil palm business and benefit from its higher returns. Certainly, we need a huge investment for infrastructure, initial capital, and the training of thousands of local subsistence farmers to embrace the new ways to manage palm oil plantations sustainably.

Yet, this strategy would enable Indonesia to substantially reduce poverty and increase the sale of sustainably produced palm oil to European and American corporations, which are increasingly concerned about buying palm oil that has been harvested as a result of forest destruction. Indonesia can sustain rapid economic growth while reducing emissions, but requires an intelligent, holistic shift in its pursuit of economic progress.

We need to craft an innovative economic strategy that integrates environmental concerns from the highest (macroeconomic) to the lowest (microeconomic) levels and seek new opportunities that can be translated into implementation. While some think this is a mammoth challenge, in reality this is an opportunity to improve our standard of living while keeping our forests intact.

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