

The challenge of sustainable development in Asia

Facing up to the challenges ahead

Guest piece | Jeffrey D. Sachs

'Ecosystems don't follow the rules of private property'

The recent surge in oil and food prices signifies much more than the specifics of those two markets. The world is pushing against ecological limits more threatening and urgent than at any time in previous history. As a result, we are facing limits not only on oil and food, but also on fresh water, climate change and the very survival of millions of other species. The global drive for economic development is threatening a mass global extinction of other species, through habitat destruction; climate change; disease transmission; excessive hunting, logging and fishing; pollution; and other human-induced pressures. Asia is at the epicenter of the drama.

The global trends are an ironic reflection of humanity's unprecedented technological prowess, which has brought about a world of 6.7 billion people averaging roughly \$10,000 per person in annual production (adjusted for differences in prices across national economies). The total scale of human activity is hundreds of times greater than at the start of the industrial age two centuries back. We are imposing our will on all aspects of the earth's physical processes, to the point that we are dramatically threatening our own future well-being.

Asia is uniquely challenged, since it is home to 60 percent of the world's population, with an unrivaled density of population in South and East Asia, and with a vulnerability to environmental degradation as serious as in any part of the planet. China has 22 percent of the world's population, with only 7 percent of the land area. India has 15 percent of the world's population on a mere 2.5 percent of the land area. Both countries, and many others in Asia, are facing a profound squeeze on fresh water, energy and habitat, all of which will become far more



Jeffrey D. Sachs: "Some promising steps have been taken by Malaysia in recent years."

dramatic as populations, energy use and food intake continue to rise, against a backdrop of peak oil, depleted groundwater and intensifying climate change.

More than quick fixes are needed. While market ideologues might think that free-market reforms, such as privatization of land and water, might do the trick, this is mistaken. Ecosystems don't obey the rules of private property. What one farmer does — in fencing his land, blocking animal migrations, spraying crops, introducing new crop varieties, hunting and fishing, logging, pumping groundwater or managing livestock diseases — has ramifications far beyond the farm. What economists call "externalities" or "spillovers" mark the very essence of ecosystems. For these reasons, sound environmental management requires rules of the game — an "ecosystem approach" — that go far beyond private property. Governments, as part of national, regional and international law, need to determine safe practices for food production, energy consumption, water use, species introduction and land-use change. Private businesses need to partner with governments to define sustainable practices, aimed at using resources at sustainable rates and with envi-

ronmentally sound technologies.

Some promising steps have been taken by Malaysia in recent years, which may set a powerful example for the rest of Asia. Malaysia plays host to some of the world's greatest biodiversity and depends on that biodiversity for the high productivity of its plantation crops (such as rubber and palm oil), unique tropical fruits and staple food supply. Recognizing the high stakes involved, the government of Prime Minister Abdullah Badawi has created large areas of protected nature reserves, defined areas off-limits for production despite their high market potential because of environmental fragility (such as steep slopes and peat lands) and supported intensive monitoring of habitat changes to try to put a brake on destructive land-use practices.

The government is working closely with leading companies, such as the palm-oil giant Sime Darby, which have recognized that long-term environmental sustainability is vital to the business interests of serious, law-abiding companies with long-time horizons.

It remains to be seen whether Malaysia's policies will triumph over intense and rising market pressures. With palm-oil prices at sky-high levels, the environment could easily fall under the axe of unscrupulous loggers and politicians, with huge and irreversible environmental costs. If Malaysia can prove the effectiveness of its new set of environmental policy tools and public-private partnerships for sustainability, the benefits and lessons will be not only for Malaysia, but also for Asia and indeed the world.

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Palm-oil plants: Palm oil, the most productive oil-seed plant in the world, can now be certified as sustainably produced.

Profile | Roundtable on Sustainable Palm Oil

New certification standards ensure sustainable palm oil

Palm oil is a valuable crop that contributes to the economic development of many tropical Asian countries. Used in a vast range of consumer products, ranging from ice cream to lipstick, it is also increasingly used for biofuel.

As demand for palm oil has risen, the area under cultivation has increased by about 43 percent since 1993. Much of the new land given over to plantations is in Malaysia and Indonesia, which together produce 84 percent of the world's palm oil.

While some of the better-managed plantations are committed to sustainable production, in recent years there has been growing concern among environmentalists, nongovernmental organizations (NGOs) and consumers that not all palm oil is produced sustainably.

New palm-oil plantations have resulted in the decimation of large areas of forest and threatened the region's rich biodiversity. In addition, the use of burning as an easy way of clearing land has contributed to forest fires and pollution. New plantations have also caused conflict with local communities.

In a bid to address the problem, in 2001 the environmental organization WWF asked Reinier de Man, a Dutch consultant, to explore the possibility of creating an organization that would promote the growth and use of sustainable palm oil.

The result is a unique organization, the Roundtable on Sustainable Palm Oil. The

RSPO is a coalition of more than 300 members representing all parts of the supply chain, from growers, processors, manufacturers and retailers to investors, environmental groups and NGOs.

The organization's members include companies such as BP, Heinz, Unilever, The Body Shop, Shell, Sime Darby and the WWF, and they have one common goal — to put into practice criteria for the production of sustainable palm oil.

Dato Seri Ahmad Zubir Murshid, Sime Darby's president and group chief executive, says: "We believe we should set the industry standard. We really are in the spotlight, and we want to do the right thing."

The WWF, meanwhile, told potential RSPO members: "By joining the RSPO, your organization publicly communicates your commitment to sustainable palm-oil production and use. You also join the ranks of other proactive, solution-oriented and socially responsible organizations. By showing you are serious about sustainable palm oil, you can improve your access to new markets and investment sources."

The RSPO focuses on four main areas: implementing better management practices in existing plantations; improving the planning process for developing land for new palm-oil plantations; providing better risk-

analysis for banks and investors in palm oil; and creating better links with consumers.

In November 2007, following a two-year pilot program and field testing, the RSPO introduced a set of principles and criteria that provide the world's first certification system for palm-oil plantations. Companies that want to prove that their palm oil is sustainably produced have to undergo a rigorous auditing process, and the RSPO is training independent auditors to carry out thorough inspections.

This move is welcomed by retailers. In Europe, the major supermarket chain Sainsbury's has pledged to use only sustainable palm oil by mid-2008, while The Body Shop is the first top cosmetics retailer to introduce sustainable palm oil into the global beauty industry.

Earlier this year, Sime Darby took part in a successful trial, in advance of RSPO certification, which traced every step of a shipment of palm oil from its plantation to a processing plant in the Netherlands. Speaking of the certification process, Murshid says: "As we begin the process of certifying our plantations in accordance with RSPO criteria, every manufacturer will know that the palm oil they receive from Sime Darby will have been developed to the highest environmental and sustainable standards."

H.J.

Interview | Tun Musa Hitam, chairman of Sime Darby

'The issue is striking the right balance'

Tun Musa Hitam, Malaysia's former deputy prime minister and minister of primary industries, is chairman of Sime Darby. In this interview, he discusses the challenges of sustainable development in the palm-oil industry, in Malaysia and in Asia-Pacific.

There is much talk at present about environmental concerns associated with the palm-oil industry. What is your philosophy as to whether companies should engage with their critics, and in what manner?

To begin with, environmental concerns associated with the palm-oil industry have been blown out of proportion, especially within the context of the Malaysian experience. Literally from the word "go," Malaysia has placed environmental concerns as a top priority. I should know, since as minister of primary industries, I dealt with natural resources, a substantial part of which is plantations. As deputy prime minister, I had personally been not only vocal, but also action-oriented in this particular field. Laws and regulations were formulated, and enforcement was assured.

Earlier on, as minister of primary industries, I was on record to have openly declared that Malaysia should be ashamed of itself for being an exporter of tropical hardwood, which meant that we were raping the forests. Following that, a Malaysian national forestry policy was formulated, and laws and regulations were framed. The National Forestry Council was also established. It was not easy, as forestry and land were matters strictly under the purview of the state and under their jurisdiction. It was no mean task. Considering that there were so many vested interests, we were successful nonetheless. Categories of forests were ascertained. We designated forests as permanent reserves. Forests that could be opened for development were also designated. As a result, you can see that more than 60 percent of our land is still lush with green tropical rain forests today.

All these have an impact on plantations. The most important thing to bear in mind is that unlike soya, sunflower, corn and groundnut, when forests were cleared for palm-oil and rubber plantations here de-

cares ago, we actually created new "forests."

Corporations should continuously be aware and sensitive about environmental issues. They should ensure that these translate into actionable plans that can be enforced. I, for one, never hesitate to engage with critics. As a principle, the more negative the criticisms, the more I pay attention to them. These critics range from members of civil society or nongovernmental organizations to media and political activists.

We appreciate their criticisms, especially the constructive ones, and where practicable we take up their ideas and put them into practice. How do we engage with them? We usually do this through public relations, attending conferences, round tables, road shows, etc.

You have served as deputy prime minister of Malaysia. In your opinion, how can governments in Asia act to foster sustainable development?

Quite simply, there must be political will. It has to be based on sensitivity toward environmental concerns, which must be separated from priorities that are of short-term material interest. Corruption, greed and the short-term interests of certain groups spur the cutting down of trees. Governments need to address these and put sustainable development foremost on their agenda. All businesses need to take sustainable development into account and in all matters related.

In Malaysia, thanks to intense criticism from NGOs and the increasing tolerance of government to encourage media exposure stories, the country has become one of the leading intensely developing countries in the world. The government is very proactive as well. This is very crucial. I have just alluded to what I had personally done as deputy prime minister and the minister concerned. It is of fundamental importance that governments regulate and enforce transparently and fairly, ensuring that any personal or group interest should not be given any space in government.

Asian economies are growing much faster than those in the United States and Europe. Can Asia afford to balance its eco-

'By showing you are serious about sustainable palm oil, you can improve your access to new markets'

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Hitam: "As a principle, the more negative the criticisms, the more I pay attention to them."

conomic growth with environmental safeguards, some of which carry a short-term cost?

Most certainly, and why not? We have been left neglected and exploited by our colonizers for so long. If one were to consider oneself a responsible government, priorities should be focused on development. Without development, it would spell disaster. The words independence, nationalism and sovereignty would then bear no meaning at all.

The issue here is on striking the right balance. In the West, they were cutting down trees, logging indiscriminately, killing wildlife and destroying the ecosystem to create today's modern cities and croplands of wheat and corn. While Western countries did not need to address environmental concerns when they were developing centuries ago, we cannot afford to ignore environmental concerns today in our pursuit of development. Instead, we now have the advantage of learning from the past mistakes of the West. Responsible development can be achieved through good long-term planning. For example, reforestation programs were initiated during my time as minister of primary industries, whereby there was compulsory replanting of trees in an orderly manner. Come to Malaysia, and see the results for yourselves.

Interview by E.L.