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PAUL GRAY 12 July 1989

RAINFOREST PROTECTION -
THE GOLDSMITH PROPOSAL

1. Goldsmith proposes that the industrialised countries pay Brazil etc for the service of maintaining their forests - a carbon-absorbing oxygen-producing machine for the world. In his original proposal, the payment would be made in the form of government debt extinction etc. In discussion with him last night, he conceded that this was not really desirable. It would tend to confuse both the forests issue and debt negotiations. We have now a clean slate.

2. A pay-for-forests proposal can be put in the form of the OECD countries agreeing to pay a "service charge" annually for designated acres of forest which remain in some specified "natural" state. The service charge would be fixed so that it is above the value of the forest in any other (agricultural) use, and below the costs of alternative methods of carbon-locking to the same degree as one acre of forest. I suspect that the latter cost level is so high that it can be ignored. The value of the forest in the next best alternative use, however, should be relatively easy to determine - although it will vary greatly according to location. It is important to stress that in principle one would not wish to prevent the destruction of some areas of forest where the alternative use value is suitably large. And we should set our service charge with this firmly in mind (pointing out also the illogical and unscientific nature of the extreme "green" policy which requires all virgin forest to so remain).

3. In order to keep it simple one would probably use a constant service charge per acre. This would over compensate for much of the acreage but it avoids bureaucratic and administrative

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costs involved in a varying charge. I have only a vague idea of the appropriate service charge, but, from the scarce information on such forest land values, I would conjecture that an annual figure between $0.50 and $1.50 would be about right. This would be paid at the end of the year with confirmation, probably from satelite photographs, that the forest was intact.

4. Goldsmith suggested that the administration should be in the hands of an international financial institution such as an offshoot of the World Bank. After discussion, however, he agreed that this was not a good idea. In my view the Bank would convert the programme to its own bureaucratic interests. And it is best to separate it from the aid syndrome and bureaucracy. For reasons which are given below I think it would be best if we, in the UK, set up a FORESAVE in London and financed it ourselves, but with the understanding that all OECD countries, if they decide to join, are invited to use FORESAVE in contributing to this initiative for world survival. I would stress that only a very modest staff (about seven to ten professionals) is needed.

5. This is a~~n initiative~~ proposal where the Prime Minister could clearly take the initiative and lead the OECD countries. I would suggest that the Prime Minister, in order speedily to move OECD into recognising their "responsibility for preserving the world's climate", declare that Britain will pay a service charge for 7 per cent of the world's rainforest (roughly our GNP as a fraction of OECD) unilaterally - beginning in 1990. We would hope that the case is so strong that all OECD would follow our lead toute suite.

6. The political advantages of such a declaration are obvious. The Prime Minister will be doing something, not

convening international meetings, with their endless talk and paper promises, and bewailing the selfishness of Brazil, Venuzuela, etc. This unilateralism will demonstrate the urgency with which we view environmental degradation. She will steal the clothes of the Greens and people will see that there was no Emperor under those green raiments. It will reassure the many supporters who are very worried about environmental degradation.

7. As for the cost, this needs to be worked out in detail. Some of it (and I would argue all, but politically this may be impossible) should be subtracted from the expansion in the budget for aid. In any case, I suggest that we should start work on quantification immediately. It is too good an opportunity to pass up, and I suspect that someone in France will shortly have the same idea.

8. I should add that the proposal is mine and I have not discussed it with Sir James Goldsmith

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