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Prime Minister
Content for Alan and
to Cabinet office to pursue this idea
later and report back in September as
proposed in para. 9.
12 July 1989

PAUL GRAY

RAINFOREST PROTECTION -

THE GOLDSMITH IDEA AND AN ALTERNATIVE PROPOSAL

REC 6

A. A Pay-for-Forest Proposal

Yes - delighted
L6/7
ms

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. In discussion, however, he conceded that this was not really desirable. It would tend to confuse both the forests issue and debt negotiations. Best to keep 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 targetted forest areas would be those acres which were likely to be at risk. We would not select areas where there was no possibility of degradation. 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 high but this needs to be confirmed. 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. Nor should we object to uses of the forest that lock in the carbon component. And we should set our service charge with this firmly in mind

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(pointing out also the illogical and unscientific nature of the "green" policy which requires all virgin forest to so remain).

B. Administration

3. In order to keep it simple one would probably use a constant service charge per threatened acre. This would over compensate for much of the acreage but it avoids bureaucratic and administrative costs involved in a varying charge. I have only a vague idea of the appropriate service charge, but, from the scattered 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 satellite photographs, that the forest was intact. I believe it would be best to avoid any other "conditionality" so that we could claim that there is no shadow of an infringement of the sovereignty of the recipient country. We would then avoid the odium suffered by the IMF, and the World Bank.

4. Goldsmith had suggested that the administration of the scheme 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. The World Bank would convert the programme to its own bureaucratic interests. And it is best to separate the forest service charge from the aid syndrome and bureaucracy. For reasons which are given below 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 choose to decide on a similar policy, are invited to use the ideas of FORESAVE in contributing to this initiative for world survival. I suspect that only a very modest staff (about seven to ten professionals) would be needed.

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C. Political Advantages

5. This is an occasion where Britain 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 5 per cent of the world's threatened rainforest (roughly our GNP as a fraction of OECD) unilaterally - beginning in 1990. We should choose the countries (eg British West Africa, Guyana and possibly Burma), where we have traditional connections and suggest that, if other OECD countries wish to participate, they should do the same.

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, bemoaning the selfishness of Brazil, Venezuela, etc. This unilateralism will demonstrate the urgency with which we view the likelihood of 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, however, reassure the many supporters of the Government who are very worried about possible environmental degradation.

7. I conjecture that, under pressure from the influential Greens, Mitterand and Kohl, followed by Bush, will speedily announce their own initiatives. These need not be the same as ours. Germany and France can tailor their policies so they are consistent with their institutions, customs and interests. The French will naturally gravitate to the Francophone countries, whereas Germany, the Iberian countries, Italy and the United States will be likely to

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adopt Latin America. The important point is that a variety of approaches, each developed by a national government according to its perceptions, abilities and interest will give a quicker, better and more enduring result than any enforced uniformity through some multinational institution.

D. The Next Steps

8. 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 subsumed in the expansion in the aid budget. But at this stage financing can be separated from the basic idea and considered later.

9. I put these arguments to an interdepartmental committee, chaired by Richard Wilson, and they were welcomed as a basis for a quick study to see:

- (a) whether we could identify the threatened forests;
- (b) whether we could specify 'friendly' forest use and identify them for monitoring purposes;
- (c) where the likely cost would be.

I hope that we shall be able to report by September on the feasibility and potential advantages of such a unilateral initiative.

Alan Walters

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