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Economic Integration and Environment in Southeast Asia: Facing up to Environmental Challenges while Securing the Benefits from Open Markets

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# ECONOMIC INTEGRATION AND ENVIRONMENT IN SOUTHEAST ASIA:

## FACING UP TO ENVIRONMENTAL CHALLENGES WHILE SECURING THE BENEFITS FROM OPEN MARKETS<sup>1</sup>

*Raymond Clémentçon,  
Environment Project Director, IGCC*

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### Introduction

Economic integration and freer trade can be expected to further boost economic growth in the Association of Southeast Asian Nations (ASEAN) region. This growth could help provide the necessary financial resources for environmental protection and encourage sustainable development in Southeast Asian societies, where newly adopted environmental legislation can be effectively implemented and strengthened. This is the general conclusion of *Economic Integration and Environment in Southeast Asia*, a workshop held in Jakarta, Indonesia, on 5–6 September 1996, organized by the Institute on Global Conflict and Cooperation (IGCC) in cooperation with the Center for Strategic and International Studies (CSIS).

On the other hand, workshop participants also expressed concern about the increasingly serious threats to the environment, natural resource base, and human health posed by rapid economic growth (see Tables 1, 4). Governments in ASEAN countries need to respond to these environmental threats with effective policies that strive to integrate economic and environmental policymaking. This requires broad public involvement in policy decisions and a real commitment by political leaders. However, political will to balance economic and environmental considerations and to turn environmental programs into concrete action is emerging only slowly.

For the past half-decade, the rubric "trade and environment" has been high on the discussion agenda in a number of international forums, most recently the World Trade Organization (WTO). Debates have centered mainly around the threat that environmental policy measures could pose to an open international trading system, particularly to developing countries' access to northern markets. On the other hand, there are concerns

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<sup>1</sup> Report on a workshop held in Jakarta, Indonesia, 5–6 September 1996, organized by the Institute on Global Conflict and Cooperation in cooperation with the Center for Strategic and International Studies, Jakarta. The authors and IGCC would like to thank the Hewlett Foundation for generous funding of this project.

that economic liberalization also exacerbates existing market failures that negatively affect the environment, particularly in countries where environmental standards and regulations are still weak or enforcement is poor. At the Rio Conference in June 1992 (United Nations Conference on Environment and Development) countries agreed that governments should “ensure that environment and trade policies are mutually supportive.” (Agenda 21, Chp.2.10 (d)) Yet little has been done since then to do this. The WTO Committee on Trade and the Environment is struggling to make progress on developing guidance to the contracting parties to the WTO on a number of contentious issues, such as on specifying exactly in what cases trade measures might be justifiable in support of environmental policy objectives.

The issue of how economic integration and freer trade affects the environment is also gaining attention in Southeast Asia, one of the fastest growing regions in the world. At the Jakarta workshop, researchers, government officials, and representatives from international organizations gathered for a two-day discussion about the effects of economic integration on the environment in the region. The objective was to gain insight into how governments in ASEAN countries could respond to the daunting environmental policy challenges they will face in the years ahead, while continuing to enjoy the economic benefits of improved regional and global economic integration.

Twenty-one workshop presentations dealt with various facets of the broader issue. Some addressed the actors and institutions involved in the environmental policymaking processes in ASEAN countries; others presented case studies about specific environmental issues. A half-day roundtable discussion concluded the meeting. This report is a rapporteur's summary: it attempts to capture the essence of two-days of lively discussion, and to highlight shared viewpoints that emerged. While it does not exhaustively catalog or refer to individual contributions to the workshop,<sup>2</sup> abstracts of individual contributions follow.

## Trade and the Environment: The Debate

Workshop participants emphasized the enormous environmental policy challenges that exist for ASEAN countries as a result of the rapid economic growth, rising industrial production, and unbridled increase in private transportation (particularly in urban areas such as Bangkok, Jakarta, and Manila), fueled by the liberalization in trade and investment. Of most immediate concern are environmental problems that directly affect living conditions and health, such as urban air pollution, access to safe drinking water, and degradation of the natural resource base that provides livelihood for local communities and indigenous peoples.

Population growth and changes in land use are increasing pressures on land resources. Southeast Asia has the highest absolute rate of deforestation in Asia (see Table 2). Tropical timber harvesting and the accompanying loss of biodiversity have attracted the most interest and attention elsewhere, particularly from Western environmental groups. The regional contribution to the buildup of greenhouse gases in the atmosphere is also increasing rapidly, as countries struggle to keep up with rapidly increasing energy demands, projected to more than double in the next 14 years (see Table 3). Economic integration and, more specifically, increased trade liberalization may exacerbate existing environmental problems when environmental costs are not sufficiently reflected in the cost of goods and services.

Trade liberalization entails the reduction of import tariffs and the phasing out of subsidy payments and tax exemptions given to exporting industries. It is part of a package of broader policy measures designed to harmonize regulations and standards between countries and to facilitate economic and social interactions between countries. Trade liberalization can result in structural effects (shifts in economic activities from one sector to another) and scale effects (increase in existing activities).

Both positive and negative environmental impacts can result from economic liberalization and freer trade. Economic growth and higher income levels can provide financial resources that can be used to address emerging environmental problems, such as the construction of sewage treatment facilities and retrofitting industrial facilities with pollution abatement equipment. Increased

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<sup>2</sup> The *Journal of Environment and Development* has accepted papers by Sitanon Jestapipat, Tran Thi Thanh Phuong, and Marites Danguilan Vitug. Others are now available via IGCC Online at <http://www-igcc.ucsd.edu> or [gopher.ucsd.edu](http://gopher.ucsd.edu).

**Table 1: Growth in Real GDP in Selected Countries (annual percentage change)**

	1980 -1992 <sup>a</sup> (avg.)	1992 <sup>b</sup>	1993 <sup>b</sup>	1994 <sup>b</sup>	1995 <sup>b</sup>
<b>ASEAN</b>					
Indonesia	5.7	7.2	7.3	7.5	8.1
Malaysia	5.9	7.8	8.3	9.2	9.5
Philippines	1.2	0.3	2.1	4.4	4.8
Singapore	6.7	6.0	10.1	10.1	8.9
Thailand	8.2	8.1	8.3	8.8	8.7
Vietnam	—	8.6	8.1	8.8	9.5
<b>Industrialized nations</b>					
United States	1.7	1.6	1.2	2.5	1.0
Japan	3.6	0.7	-0.1	0.3	0.7
European Union	—	0.7	-0.7	2.5	2.2

Source: (a) World Bank, 1994, *World Development Report*, New York, Oxford University Press; (b) International Monetary Fund, October 1996, *World Economic Outlook*, Washington, D.C.

**Table 2: Deforestation in Selected Countries of the Asia and Pacific Region, 1981–1990**

	Average Annual Deforestation 1981–1990		Total Forest Land (1,000 ha)
	% Total Forest Land	Area (1,000 ha)	
Bangladesh	4.9	38	769
Pakistan	4.1	77	1,855
Thailand	4.0	515	12,735
Philippines	4.0	316	7,831
Malaysia	2.0	396	17,583
Vietnam	1.6	137	8,312
Indonesia	1.1	1,212	109,549
Cambodia	1.0	131	12,163
Laos	0.9	129	12,173

Source: FAO, 1993: Forest Resources Assessment 1990: Tropical Countries. FAO Forestry Paper 112, Rome.

**Table 3: Primary Energy Consumption Scenarios to the Year 2010 in Subregions of Asia and the Pacific (in thousand tonnes oil equivalent)**

	1990	Est. 2010 (low)	Increase	Est. 2010 (high)	Increase
Northeast Asia	830,003	2,055,000	147%	2,221,000	168%
Southeast Asia	126,651	377,000	198%	427,000	237%
Total Asia	401,437	3,480,000	148%	3,812,000	172%
Asia-Pacific					

Source: ESCAP, 1995. *State of Environment in Asia and the Pacific*. New York.

competition can render resource and pollution intensive industries inefficient and unprofitable.

Economic liberalization can, however, also result in further environmental degradation, if appropriate environmental protection measures are lacking or are insufficiently enforced. Pollution of air, water, and soil from industrial production and human settlements increases in direct proportion to production and consumption levels. If these exceed critical environmental thresholds the effects on natural systems become severe.

Liberalization improves economic efficiency but thereby also increases competitiveness pressures. Most developing countries consider attracting foreign direct investment a top economic priority. This can increase the pressure to develop in remaining pristine natural ecosystems, particularly if they harbor natural resources. Competitiveness pressures also frequently have a negative effect on attempts to introduce and enforce high environmental standards. The attempt to introduce a carbon dioxide/energy tax in all member countries of the European Union

failed in 1995, because industry groups argued that such a tax, even when designed to be revenue-neutral by reducing other taxes, would put European industries at a disadvantage in world markets.

## Global Warming

Global environmental issues such as global warming and biodiversity conservation are generally not regarded as priority issues for Southeast Asian countries. Because development and poverty reduction is such a priority, there is little recognition of the effects current policies can have on the quality of life and opportunities of future generations. The buildup of greenhouse gases in the atmosphere is seen as still largely the responsibility of Northern countries. Some workshop participants, however, stressed that ASEAN countries must pay attention to their rapidly growing carbon dioxide emission levels now, even though they will not likely need to commit to specific emission targets in response to the 1992 United Nations Framework Convention on Climate Change anytime soon. All ASEAN countries have thousands of miles of low-lying, densely populated coastal areas. Consequently, they are vulnerable to rises in sea level and changes in precipitation patterns that may be induced by global warming.

## Economic Integration and Free Trade

None of the workshop presenters had systematically examined the extent to which economic integration and freer trade might cause an increase in environmental problems in the region, nor had they examined the extent to which economic integration might actually reduce environmental pressures. However, case studies provide evidence for both positive and negative links. Forestry policies in the region may, for example, have been less driven by foreign demand for timber than by national land use trends resulting from rural development policies and favoritism guiding the allocation of logging rights. Some presenters made this point in arguing that trade liberalization in the forestry sector could actually result in reduced logging in some ecologically vulnerable areas.

Other presenters, however, pointed to the considerable impact that export demand has had on

the decisions of governments to grant logging concessions in areas that are inhabited by indigenous people and are characterized by rich biodiversity. With respect to the industrial sector, some presenters pointed to beneficial effects of liberalization insofar as it forces governments to reduce subsidies and tax exemptions for environmentally damaging activities, such as for export-oriented resource and pollution-intensive industries and extracting industries. On the other hand, examples also show that liberalization can encourage the creation of pollution havens in countries where the capacity does not yet exist to implement and enforce appropriate environmental standards.

## Sanctions

Participants generally did not see the introduction of trade restrictions for environmental reasons as a reasonable solution. Economic integration among ASEAN countries and beyond, and freer trade in key economic sectors were seen by many participants as prerequisites for improved environmental policy performance. Nevertheless, some considered eco-labeling requirements in Northern markets as possibly advantageous for producing countries because it would provide a more secure marketing environment and could improve competitiveness.

## Participatory Shortcomings

All ASEAN countries have various environmental laws and sustainable development programs in place. In general, such laws and regulations have been and are being developed with little involvement of either the general public or political parties. Several workshop participants suggested that the definition of environmental policy objectives and the formulation of environmental policy instruments in ASEAN countries remain almost entirely a top-down process and are largely the result of the individual preferences of political leaders. In the absence of political leadership, the strengthening of environmental laws and the implementation and enforcement of regulations and standards where they exist are not ensured. There is often a serious lack of trained personnel in the field where changes would need to take place.



## Non-governmental Organizations

Emerging domestic non-governmental environmental organizations play a small but increasing role in lobbying governments on environmental issues, raising the awareness in the general public of environmental problems, and pushing for appropriate political responses. The extent of this involvement, however, is different for various Association of Southeast Asian Nations (ASEAN) members; it is perhaps more pronounced in the Philippines, Thailand, and Indonesia and less evident in Vietnam, reflecting their different political systems. There are also many types of NGOs, ranging from local, community-based groups devoted to specific issues to organizations dealing with national issues that also increasingly provide think-tank functions for government agencies.

Workshop participants also emphasized the role of scientists and universities in environmental policy formulation. Educational programs in ASEAN increasingly cover environmental issues. University faculty members have in many instances been strongly involved in advising governments in drafting legislation and have been commissioned to draw up national nature conservation plans, such as in Vietnam. On the other hand, some discussants deplored the limited opportunities for involvement of scientists who advocate viewpoints differing from those advanced by the governments in many ASEAN countries.

## Environmental Impact Assessments

Many put their hope into environmental impact assessment (EIA) requirements for deciding the type of development projects that should be funded through public and private investments. Workshop participants strongly concurred that strengthening of the EIA instruments would go far in assuring improved integration of environmental and economic objectives. Economic valuation of noncommercial use of natural resources can help in establishing baselines for EIA that weigh market returns of investment against losses incurred from environmental degradation and public health.

While participants considered EIA perhaps the most promising environmental policy instrument available, many also cautioned against seeing it as a panacea. Empirical evidence from ASEAN and from Organization for Economic Cooperation and Development (OECD) countries points to many shortfalls with EIA that clearly indicate they cannot replace

political decision making. First of all, as long as no commonly agreed upon standards exist, EIAs may involve very different procedures. Already, a quick assessment by a government bureaucrat may be called an EIA, although EIAs often involve a full-fledged study by independent experts and allow for public participation. Thorough EIAs are often expensive and require well-trained personnel. To be truly effective EIAs need to be conducted at an early stage of project evaluation, before work on the project has started. Often, however, little reliable data is available to work with. Findings from EIAs are therefore often inconclusive, and even in cases where findings clearly suggest that environmental damage would outweigh economic benefits, policymakers have in the past ultimately acted against the recommendations given by the EIA. Participants agreed that EIA procedures often turn out to be little more than window dressing.

Systematic efforts to calculate the economic value to local communities of sustainable use of the natural resource base, which could provide baselines for EIAs, are still very few. None of the ASEAN countries has yet introduced natural resource accounting as part of national accounting (but neither have OECD countries). ASEAN countries, with the exception of Singapore, have incorporated some formal EIA requirements and public review process into their legislation or are in the process of doing so. Experience with the instrument in the region is still limited, however, and standards are far from uniform. But EIAs now need to be conducted for all projects involving international financing organizations and bilateral development aid organizations. This has increased the visibility of EIAs and encouraged development and formalization of domestic procedures as well.

## Economic Integration

An interesting discussion emerged on the question of what should be understood as economic integration. While some looked at integration and freer trade exclusively in terms of interaction between nation states, others pointed to the wide variety of stages of economic development within countries, ranging from economically booming metropolitan areas to rural and indigenous communities in which the populace still lives as their predecessors did hundreds of years ago. Indigenous people and more generally rural communities are likely to be much more directly affected by national development policies than by international economic liberalization. However, many examples show how competition to attract

international private investment among countries has affected national policies, which in turn have affected sparsely populated areas characterized by rich biodiversity that provides a livelihood for indigenous people.

## Environmental Policy Implementation and Enforcement

Implementation of environmental policy plans, where they exist, is in most cases still in its infancy and mired by many problems, such as considerable social and political disincentives. Capacities for implementing and enforcing existing regulations and laws are very limited, often but not only due to a lack of funds and trained personnel. Temptation to give in to lucrative economic deals is considerable on all levels of society particularly when information on possible environmental consequences is rarely available.

## Alternative Energy

No broad effort has been made to develop renewable energy alternatives in this region; however, encouraging projects do exist in some ASEAN countries to promote solar voltaic and thermal power generation. Countries still plan to meet the bulk of their future energy needs by developing traditional energy sources, such as oil and coal, thereby locking in technologies that will inevitably lead to higher levels of air pollution and greenhouse gas emissions. In some ASEAN countries, such as Indonesia and Thailand, the development of nuclear power plants is being discussed despite the great economic and social controversies surrounding such projects. (For regional energy consumption, see Table 3.)

## Policy Cooperation

All participants saw a great need for increased regional and international cooperation on environmental policy issues. Coordination of policy initiatives and harmonization of standards and procedures—for example, with regard to biodiversity prospecting and trans-boundary effects of large investment projects—would make it easier for ASEAN countries to compete in the world market even while increasingly integrating environmental objectives in economic decisions. Many participants were not convinced, however, that ASEAN would provide much leadership on this. Participants em-

phasized the need for other channels of communication among the region's experts and policymakers, such as that provided by the Jakarta workshop.

Some participants see the Asia Pacific Economic Cooperation Forum (APEC) as playing a catalytic role in encouraging more attention on environmental issues and sustainable development in the region. But they maintain that APEC is no substitute for stronger integration of Southeast Asia in ASEAN.

Many participants argue that ultimately environmental objectives can be achieved only if a genuine political will to do so on the highest level develops. Participants, however, see few governments in ASEAN countries moving in this direction for fear of dampening the economic bonanza the region has enjoyed in recent years. Economic growth rates have in fact been somewhat declining in the last year.

## Recommendations

How should ASEAN countries respond to the environmental challenges resulting from export-oriented economic growth (See Table 4)? At present, in most ASEAN countries environmental policy formulation and implementation is still a top-down process, and in some cases it is highly personalized. Special interests retain strong influence, whereas public participation through political parties, local interest groups, and indigenous communities remains limited.

Further, environmental policy challenges are daunting. In view of the current economic boom in Southeast Asia, considerable political will is necessary to prevent or mitigate continued serious degradation of the environment and the natural resource base in ASEAN countries. In most, however, strong political leadership on environmental issues, is not seen as forthcoming. What to do?

- **Realize potential for economic and environmental win-win situations.** Energy policies in particular need to recognize the large win-win potential for market pricing of energy sources, for simple energy conservation measures, and for investments in renewable energy sources. Such policies would help address serious local air pollution problems while also slowing the growth of carbon dioxide emissions. They would put ASEAN countries in a better position to demand tougher greenhouse gas reduction commitments from industrialized

**Table 4: Total Exports of Selected ASEAN Countries (in millions of U.S. dollars)**

	1988	1990	1992	1994	% Growth 1990–1994
Vietnam	528	2,364	2,567	4,706	99
Singapore	39,318	52,753	63,475	96,419	83
Malaysia	21,095	29,420	40,709	58,748	99
Philippines	7,034	8,194	9,829	13,433	64
Indonesia	19,389	25,681	33,977	37,958	48
Thailand	15,910	23,072	32,472	41,757	81

Source: International Monetary Fund, Direction of Trade Statistics Yearbook, 1995.

- countries in the ongoing climate change negotiations.
- **Realize market potentials.** Pricing environmental goods appropriately can encourage market solutions to environmental problems. In some cases a reduction of government subsidies—for example, in the energy or water sectors—will go a long way. In addition, economic instruments such as pollution charges or environmental user fees should be introduced more widely to complement regulatory measures. In view of strong private interests generally working against such market-based instruments, a broad public dialogue on environmental policy options is needed.
- **Do not restrict trade.** Trade liberalization and economic integration produce both positive and negative effects on the environment. However, the increase in environmental problems is primarily a result of rapid economic growth combined with lack of appropriate environmental protection laws and of enforcement. Individual countries need to find solutions. Restricting free trade is not a viable option for encouraging solutions to the growing environmental problems in the region.
- **Improve transparency in policymaking. Improve accountability for policy outcomes.** A lack of transparency in decision-making and lack of accountability for policy outcomes results in damage to the environment in many ASEAN countries; these processes need to be opened up to encourage more environmentally conscious decision making at all levels of government and the private sector. Although all ASEAN countries have formally enacted various environmental laws and regulations, institutional capacities for developing, implementing, and, in particular, enforcing environmental measures are still very limited. This requires, in many cases, reform of the political system that goes beyond the adoption of appropriate legislative measures.
- **Broaden public participation.** Broader public participation in efforts to identify and address environmental problems should be encouraged by appropriate government actions, including disbursement of relevant information and engaging the public in a dialogue on the trade-offs between economic growth on the one hand, and environmental quality and human health objectives on the other. This includes efforts to improve environmental education at all levels.
- **Strengthen NGO involvement.** The formation of non-governmental environmental organizations on the local level needs to be encouraged. NGOs need to be given better access to government institutions and data. The watchdog function they provide on environmental and economic policymaking in ASEAN countries should be recognized as an asset.
- **Use environmental impact assessments.** Environmental impact assessment (EIA) procedures are seen as perhaps the most promising environmental policy instrument available today to governments in ASEAN countries. They encourage integration of environmental concerns in economic policy making and are particularly valuable for judging the long term environmental impact of large investment projects. EIA instruments need to be strengthened and incorporated in appropriate forms into the procedures of sectoral government agencies. Government agencies and industries should be encouraged or required to publish environmental performance reports.
- **Establish national natural resource accounts.** Governments must begin to view the natural environment as national capital. National natural resource accounts should be established that systematically value non-market

goods and services provided by the environment. This would allow a more comprehensive assessment of the value of export-oriented growth strategies to the national economy.

- **Make local communities stakeholders.** Local communities must become stakeholders in their natural heritage. This requires the definition of clear property rights for natural resources. Services and economic returns from non-use of natural resources should be more systematically assessed and the results should inform economic decision-making.
- **Create focal points on sustainable development.** Creating focal points on sustainable development within important government agencies can help encourage the integration of environmental concerns into everyday political decisions, as the Philippine example shows.
- **Strengthen local implementation capacities.** Capacities of governments to collect and evaluate environmental data should be greatly improved, particularly the capacity to implement and enforce environmental standards and regulations where it counts, that is, in the local setting. National sustainable development strategies and sectoral environmental policy plans are only valuable to the extent that they are operationalized and are being implemented in the field.
- **Give attention to regional and international cooperation on environmental issues equal to that afforded to economic issues.** Regional and international cooperation within the frameworks of ASEAN and APEC is important for helping countries develop common ground regarding economic and environmental policy objectives. It should be strengthened by broadening the circle of actors involved in regional and international interaction beyond government circles. »

# ECONOMIC INTEGRATION AND ENVIRONMENT IN SOUTHEAST ASIA:

## OPENING ADDRESS

*IR Sarwono Kusumatmadja,  
Minister of the Environment, Indonesia*

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It gives me great pleasure to open this important Workshop on Economic Integration and the Environment in Southeast Asia organized by the Institute on Global Conflict and Cooperation (IGCC) in cooperation with the Centre for Strategic and International Studies (CSIS). I congratulate the organizers for selecting a topic that is of critical importance in the Asia Pacific.

The process of economic integration and trade liberalization has proceeded in recent years at both the global and regional level. At the global level, governments have made commitments to liberalize their economies in accordance with stipulations set by the General Agreements on Trade and Tariffs (GATT), now superseded by the World Trade Organization (WTO). At the regional level, South East Asia is heading towards increased economic integration under the ASEAN Free Trade Agreement (AFTA). In addition, the process of institutionalizing the Asian Pacific Economic Cooperation (APEC) as an economic forum is also gaining momentum.

While more open trade policies will undoubtedly boost South East Asia's economies, environmental impacts resulting from rapid economic growth could undermine the ecological and natural resource base of the region. One has only to consider the degradation of forests, increasingly dangerous levels of water and air pollution caused by urbanization and industrialization, and the depletion of marine resources including coral reefs; all of which illustrate the current serious state of the environment in South East Asia.

The mandate of policymakers must be to mitigate environmental damage without compromising the rate of economic growth. This is the very essence of sustainable development. Several challenges face decision-makers in Southeast Asia in the effort to achieve sustainable development within the context of regional economic integration. I will outline a few of them.

First, from a developing country's perspective, the need to integrate trade and environmental policies should not jeopardize the benefits that arise from trade liberalization. Industrialized countries increasingly employ protectionist measures using environmental criteria. Thus, on the global level, the priority for Indonesia and other ASEAN countries lies in the consolidation of the World Trade Organization and further implementation of the

Uruguay Round before any decision is made to incorporate environmental considerations into trade stipulations. Trade must not be a factor in addressing environmental problems. Where environmentally related measures are necessary, they should be proven necessary and then proportional, taking into account the polluter pays and precautionary principles. Such measures should be the least trade-restrictive of all feasible environmental measures and they should be transparent, non-discriminatory, and consistent with the principle of national treatment. Second, policies of trade liberalization should be accompanied by a set of environmental measures to ensure that economies have long-term sustainability. Governments should direct markets towards efficient and resource-conserving production and consumption. The guiding principle is the Polluter Pays Principle, which Indonesia adopted in the early 1980s. Environmental policies should continue to address root causes of environmental deterioration through cost internalization. Applying the appropriate mix of command-and-control, voluntary compliance, and market-based instruments is an important step towards achieving this objective. Third, regional cooperation within AFTA and APEC is critical. In particular, the objective should be to establish a common envi-

ronmental management framework within which trade-related environmental problems can be addressed. Intergovernmental cooperation should aim at upward convergence and mutual recognition of environmental standards and standard-setting criteria. The guiding principle should be that the scope of harmonization is constrained by the different levels of economic development and the diversity of ecological conditions.

Ladies and Gentlemen, Linkages between economic integration and the environment are multifaceted and complex, and any policy measures employed to address the problems associated with them cannot easily be dismissed as biased towards either the environment or free trade. Solutions that show a simultaneous commitment to both open trade and environmental responsibility require careful research and analysis.

Therefore, I would like to reiterate my appreciation of the conference organizers who have chosen to address problems of economic integration and its impact on the environment. I believe that the work done here will prove to be of great benefit not only to the participants but more importantly to the policymaking process, and I hope that the findings of this workshop will have a positive impact on the policymaking process in Southeast Asia.

Thank you.

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# ECONOMIC INTEGRATION AND ENVIRONMENT IN SOUTHEAST ASIA:

## ABSTRACTS<sup>3</sup>

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### Economic Integration and Environmental Policymaking

*Raymond Cléménçon*

The author assesses the impact of regional and global economic integration on environmental policymaking. He examines the institutional strategies that were developed within the Organization for Economic Development and Cooperation (OECD) and the World Trade Organization (WTO) to integrate trade and environmental concerns in policymaking. The author compares the multilateral efforts with the approach taken in one OECD country (Switzerland) in response to the recommendations made in 1992 by the United Nations Conference on Environment and Development (UNCED).

The analysis shows that increased transparency of decision-making processes and broad-based involvement of all interested segments of society in policy discussions must be regarded as a precondition for improving the compatibility of trade and environmental policies. However, this alone does not necessarily result in environmentally beneficial changes in decision-making outcomes. Political leadership in defining and defending environmental policy objectives against well-organized economic interests is also required. ASEAN countries need to improve transparency of the policymaking process, and political leaders need to devote more attention to a balanced approach to the resolution of conflicts between dominant economic interests and environmental policy objectives.

### Current and Emerging Environmental Issues in the ASEAN Region

*Mark Radka*

The author provides an overview of the state of the environment in southeast Asia. Rapid economic expansion in ASEAN countries, driven to a great degree by export-oriented industrialization, has brought with it often severe environmental degradation, both from the release of various wastes and from improper resource extraction. Rising incomes and an increasingly consumerist lifestyle of the rising middle class in Asian countries add to the problem. Environmental issues of concern in the region include degradation of land, air and water quality, and marine and coastal resources; deforestation; and loss of biodiversity. Poor, often unhealthy, air and water quality are a particular feature of the large urban areas common to many ASEAN countries. The author provides a matrix of environmental issues and indicators by which driving forces, state of the environment, and responses can be measured.

### Trade and Environment: Experience in ASEAN Countries

*Mari Pangestu and Kurnya Roesad*

The need to integrate trade policies and environmental policies has created tensions between trading nations because of a widespread fear of "green protectionism," that is, that trade measures will be taken disguised under the cloak of "environmental protection." ASEAN countries and other developing

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<sup>3</sup> In order presented.

countries are worried that many of their export commodities will face entry barriers to important markets and that adjusting to higher environmental standards will make their economies less competitive. The issue is how to achieve environmentally sound development without giving up the benefits of open trade policies.

The aim of the authors is to summarize and evaluate the debate on trade and environment in multilateral fora from an ASEAN perspective. The authors look at how the various facets of the trade and environment debate have affected and will affect the ASEAN economies, and Indonesia in particular. The authors present policy recommendations for addressing the trade and environment issue at the multilateral and regional levels. The main conclusion is that an outward-oriented liberal trade system provides the resources needed for better environmental protection. Where trade has magnified environmental problems, the solution is the strengthening of domestic environmental protection and not the use of trade measures. On the domestic level, Indonesia and other ASEAN countries need to continue to promote efficient resource use to conserve natural resources and improve environmental quality. These countries should strengthen environmental policies designed to internalize environmental costs by applying market-based instruments or by reforming distorted pricing structures. Experience also suggests that institutional integration play a decisive role in achieving a policy environment that supports the common goals of trade and environmental protection policies.

### Institutional Structures for Policy-making in the Philippines

*Raphael Perpetuo M. Lotilla*

The author presents the Philippine experience with efforts to integrate environmental and economic policymaking. He focuses on the role institutions play and highlights major areas where integration of environmental considerations in economic development planning and policymaking takes place. In section 1 the author focuses on the role of various entities engaged in economic and environmental integration that make up the institutional structure for policymaking in the country. In particular, the section highlights the strategic role of the National Economic and Development Authority (NEDA), as the country's national planning agency and concur-

rent Chair of the Philippine Council for Sustainable Development (PCSD), in mainstreaming environmental considerations in the overall economic policymaking process. In section 2 the author discusses the unique structure and process of GO-NGO counterparting and consensus building with respect to decision making in the PCSD and particularly in view of the ongoing formulation of the Philippine Agenda 21. Specific initiatives for economy-environment integration in the country are presented in section 3.

In concluding, the author points out that economies in the ASEAN region may become particularly vulnerable to trade-offs that tend to arise between rapid economic growth and environmental and social sustainability. The problems inherent in these trade-offs, however, are not completely insurmountable. Win-win situations can still be achieved if environmental considerations are truly reflected in all facets of economic development planning. Institutional structures and local capacities that serve as channels for economy-environment integration need to be enhanced to make them more responsive to the increasing demands of planning and policymaking effecting sustainable development.

### Environmental Policy and Management in the Context of Socioeconomic Development in Vietnam

*Le Quy An*

The author gives an overview of Vietnam's socioeconomic development during the transition from a centrally planned to a primarily market-driven economy. The country is confronted with a number of trade-offs, particularly between growth and poverty and between growth and the environment. The author looks at the resulting environmental challenges.

Vietnam must examine and adjust its trade and environmental policies to ensure that the national interest will be safeguarded and that policy outcomes are consistent with the requirements of international environmental conventions to which it is a party. While the emphasis must be on the transfer of environmentally sound technologies, the most important policy measures relate to improving education and training and to strengthening



research in science and technology—elements that are critical to building a new mentality toward sustainable development. This will facilitate acquisition and adaptation of imported environmental technologies and provide the basis for national technological innovation. At the same time, scientific activities are needed to find solutions for environmental and development problems. One of the crucial factors is to broaden international cooperation. Technological information and expertise and financial resources available through international organizations, foreign governments, NGOs, and the private sector are essential for the achievement of developmental and environmental goals in Vietnam.

### Institutional Responses in Malaysia to UNCED Outcomes

*Gurmit Singh*

The author examines the concept of sustainable development and explores how different institutions in Malaysia have responded to some of the Agenda 21 recommendations, which were adopted at UNCED. The author examines the recently released 7th Malaysia Plan on Policy Directions and evaluates the prospects for moving toward sustainable development.

In Malaysia, and other developing countries experiencing rapid economic growth, there seems to be a general disinterest in considering any change in policies in response to the quest for sustainable development, especially if it would mean any slowing down of conventional GNP growth.

The author suggests a number of actions that would encourage Malaysian institutions to adopt a more positive response to recommendations set out in Agenda 21 adopted at the 1992 United Nations Conference on Environment and Development (UNCED). For one thing, the government should strongly support sustainable development as a policy objective. One way to accomplish this would be to revive the National Environmental Council or to establish a new National Council for Sustainable Development. In either case, equal participation on the part of government, business, and NGOs is needed.

### Environmental Policy and Institutions in Indonesia: Cases of International Climate Change and International Trade Negotiation

*Agus Sari*

Global trade liberalization is expected to create new environmental externalities beyond already existing growth-induced environmental pressures by encouraging industrial production for export. In this report, based on extensive interviews with key people in government and in non-governmental institutions in Indonesia, the author examines the Indonesian decision-making process and the role and politics of institutions with regard to global environmental issues (particularly climate change). He examines especially interactions between national and supranational levels, and between governmental and non-governmental institutions, focusing on the State Ministry for the Environment. Special attention is given to the role of non-governmental organizations.

Main conclusions point to the strong influence President Suhartos' preferences have on the environmental policy process. His strategy has been aimed mainly toward encouraging economic growth; environmental concerns have been marginalized.

Non-governmental organizations have recently emerged as alternative outlets for political expression in Indonesia. Because of their flexibility, they are more able to respond to emerging policy challenges, such as those concerning trade and the environment and climate change, than the largely ineffective parliamentary institutions. As a result, NGOs are pushing strongest for effective environmental policies and ASEAN-wide cooperation on trade and the environment.

### Forestry Issues in Indonesia

*Anggito Abimanyu*

The author provides an overview of forestry policy issues in Indonesia and analyzes why the forestry sector has performed poorly in recent years. One reason is that domestic prices for plywood have been lower than international prices because of government subsidies, and the plywood sector has

become increasingly inefficient. Liberalization in this sector would improve resource conservation by encouraging a more efficient use of forest resources. Decision making in the forestry sector is not transparent. Local communities need to become more involved as partners toward sustainable development.

## Sustainable Forest Management in Malaysia

*Jamal Othman and Mohd Shah wahid H. Othman*

Malaysia's commitment toward sustainable forest management and the diminishing dependency of its economy on agricultural development have contributed to a dwindling supply of log input to the expanding domestic downstream timber industry. The vast conversion of forests in the 1970s and 1980s meant that the region is now no longer be a major source of log supply. Policy options to sustain the timber industry include sustaining Malaysia's resources from plantation forests and correcting for policy, market, and institutional failures in the forestry industry. There is also increasing support to give the federal government full jurisdiction over the exploitation of forest resources. Experiences with revenue-sharing arrangements between the state and the federal government in the case of oil and natural gas resources could lead the way to similar arrangements regarding revenues from forestry. This necessitates both a holistic approach toward forest management and a strong political will on the part of state governments.

## The Politics of Community Forestry in the Philippines

*Marites Vitug*

Policy reforms aimed at preserving the Philippines' remaining forests, including the flagship community forestry program, have created a gap in the supply requirements of the local wood industry. Trade liberalization, however, is expected to fill this gap through the importation of lumber until forest plantations, both corporate and community-based, are capable of yielding the needed volume. The author focuses on forestry reform poli-

cies—specifically, political intervention and how it can impede the process of communities taking over former logging concessions. Community forestry represents a shift in policy from the system of Timber License Agreements given to the elites in the past and most pronounced during the authoritarian years of government. The transition to democracy made change possible. An effective NGO movement and a vigilant civil society is guarding over the new policies. But pressures from politicians can derail this flagship government program, as a case study of the largest community-based forest in the Philippines illustrates.

## Development and Forestry in Thailand

*Somsak Sukwong*

In Thailand the four major components of policy: economic, social and biophysical/environmental, are clearly interrelated. The impact of economic integration can be seen on the macro and micro level and has been changing rapidly over time. The country is facing a conflict between natural resource management and economic growth. However, appropriate policy changes in the future will mean that economic growth can be important to environmental restoration and sustainable resource management.

The author delineates the main stages of Thailand's experience with the management of its forest resources, from the foundation of the Royal Forest Department in 1896, to the logging ban in 1989 and the Forest Plantation Act in 1992. The author then looks at the actors involved in shaping forestry policy and focuses on the role played recently by university researchers, scholars, and NGOs that has improved the understanding of the relationship between humanity and forests.

Several lessons have been learned in Thailand regarding forest resource management. The country's economic development has had a profound impact on declining forest resources, the livelihood of small rural farmers, and associated traditional ways of life. However, the education base has developed, resulting in increased conservation awareness and strong private and NGO sectors. These have contributed to policy change. Proper policy in the future can be beneficial for sustainable forest management. Economic growth, if distributed equitably to all levels of the society, can have positive

effects on resource conservation programs, provided social injustices are minimized and opportunities for public participation are improved.

### Macro-Environmental Policy: Merging Economic, Social, and Environmental Considerations in National Policy Frameworks with Specific Reference to Policies That Shape Forest Cover

*Jeff Romm*

Does trade liberalization change the content and organization of effective national environmental policy? What are the implications specifically for policies that affect forest cover?

Environmental policy conventionally has been framed as restraint on access to natural resources, services, and qualities. It has been organized as an adversarial barrier to economic and social influences that are presumed, often incorrectly, to degrade environmental contributions to well being. Convention has sustained the separateness of policy facets at the cost of large losses in performance.

The author addresses the shortcomings of the conventional policy separations. It proposes a framework that focuses on the consequences of interactions between policies that:

- (1) Affect motives for flows of material and human effort over space and among activities and groups;
- (2) Regulate the degree and distribution of access to opportunities, and
- (3) Distribute organizational capacities to integrate flows and boundaries in and among territorial units of different scale and purpose. A case study applies this framework to analyze impacts of Vietnamese economic liberalization on the people and environment of one rural district.

The empirically inspired explanations of forest dynamics and forest changes suggest a classification of national policies, not as economic versus environmental versus social, but into categories each of which combines these facets of human action. Conceptualization of environmental policymaking not in adversarial terms would provide a unified framework for designing policies for sustainable development that would overcome the rigidities and micro-specificity of conventional environmental policy.

### Integration of Economics and the Environment: A Preliminary Survey of EIAs and Public Partici- pation in ASEAN Countries

*Lim Lei Theng  
and Simon S. C. Tay*

As ASEAN countries seek to increase levels of foreign direct investment, the question of how economic growth objectives and environment can be reconciled gains in importance. To what extent are they successful in maintaining effective environmental standards? To what extent does economic expediency intrude? Are the present policies and laws optimal in balancing environmental and economic needs?

The authors compare the use and impact of Environmental Impact Assessment (EIA) studies in different ASEAN countries. All ASEAN countries surveyed in the paper have EIA laws or policies in place that seek to reconcile environmental protection with investment for economic progress. Despite this, the region has witnessed increased pollution and environmental degradation.

The analysis allows for a number of observations. EIAs are not an end in themselves. It should be recognized that EIAs are part of a process that allows interchange, negotiation, and mediation among different stakeholders: government agencies (environmental, economic, and others), the foreign investor, the local community, experts, and members of the public. The authors suggest that relying more on local communities and NGOs can strengthen the existing models of EIA legislation and policymaking in ASEAN countries. Allowing common participation in the assessment and improvement of projects can only allow the ownership of the problem to be shared among all stakeholders and affected parties, resulting in more cohesion and in collective yet positive action. On the other hand, the alienation of significant groups like NGOs and the community, which will ultimately be affected by any project, will result in dissent and dissatisfaction.

## Economic Valuation of Natural Resources and Relevance to Environmental Policy Making in Thailand

*Charit Tingsabadh and Suthawan Sathirathai*

The authors discuss the role of economic valuation of natural resources and how it may assist in the formulation of environmental policy. In the first part, the authors provide an overview of the techniques for estimating economic values of natural resource functions and services.

In the second part, the authors present a case study on *Economic Valuation of Mangroves and the Roles of Local Communities in the Conservation of the Resources*. The authors attempt to compare the market value of using mangrove forests for shrimp farming (involves clearing of the mangroves) with:

- (1) The non-market value mangroves can provide to local villagers (collection of wood and minor forest products and fish catch) and
- (2) The environment (nursery ground for marine life that is essential for offshore fisheries, storm protection, control of soil erosion and flooding, and carbon sequestration). The benefits they receive from mangroves may provide incentives for local communities to protect the ecosystem. Such benefits should be recognized through allocation of property rights and regulation of land use.

## Trade, Investment, and the Environment in Thailand

*Sitanon Jesdapipat*

Trade and investment have been Thailand's engines of economic growth and subsequent development. With environmental concerns at a new high, the traditional concept of the interrelation between trade, investment, and the environment in Thailand has changed tremendously. The environment has now become an integral part of investment promotion, and domestic and international environmental pressures have shaped trade. Hazardous waste generation in the industrial sector is symbolic of both policy and market failures. Privatization, as vividly pursued by the Thai government, is a necessary but

not a sufficient condition to assure Thailand's overall sustainable development in the industrial sector. Public education, broad-based civil participation, fair compensation to potential injured parties, and political will are but a few key elements for successful management of the challenge.

## AFTA and Its Environmental Implications for Vietnam

*Tran Thi Thanh Phuong*

The entry of Vietnam into ASEAN and its participation in the ASEAN Free Trade Area (AFTA) are challenges not only for the country's economy but also for the environment. Given that Vietnam is currently transforming itself from a centrally planned to a market economy, it may experience some difficulty in adjusting to the pace of liberalization in AFTA and to the environmental policy-making process. Important questions to ask are what are the socioeconomic and environmental impacts of Vietnam's participation in AFTA, and how can the government of Vietnam proceed in response to the situation.

The author, in the first part of the paper, summarizes the discussion on AFTA and APEC economic perspectives for Vietnam. In the second part the author discusses main environmental problems, which are likely to be associated with socioeconomic issues after Vietnam entered AFTA.

The author's main conclusion is that the entry into ASEAN will in the long run create new opportunities for Vietnam favorable to development. But Vietnam needs to develop and strengthen its environmental policies to respond to the socioeconomic and environmental changes that will result from free trade. Only then is Vietnam likely to maximize the benefits from its membership in AFTA.

## Sustainable Energy Policy Alternatives for Indonesian Free Trade Era: Toward a Significant People's Participation

*Wiku Adisasmito and Leonard Simandjuntak*

In anticipation of the free trade era, Indonesia must increase its competitive edge, which is intrinsically

related to a healthy and strong industrial structure. Energy policy, as one of the main pillars of industry, must be well prepared to address new challenges that emerge as consequences of the free trade era.

The global trend is toward integrating environmental considerations into decision making on development issues. International agreements on environment will contribute toward a global effort to find a solution for sustainable development. One of the prerequisites for sustainable development is a sustainable energy policy.

Other than looking at the limits or the carrying capacity of the environment, sustainable development also relies on the participation of people in the development process. The role of the people's participation in determining energy policy is key to the formulation of a sustainable energy policy.

The synergy of the implementation of principles of sustainable energy, such as the allocation of a rational energy mix, based on free-market principles, where a healthy atmosphere for investment is created, will be key factors in the formulation of a new energy policy—one that is oriented to the future. Clearly defined mechanisms are needed to ensure significant participation on the part of the people in the process of determining this policy.

## Environment and Development in Malaysia

*Mohd Nizam Basiron*

The author presents an examination of the relationship between environment and development in Malaysia and how it affects the process of environmental policy development in the country. It is based on the premise of Principle 4 of the Rio Declaration on Environment and Development that “in order to achieve sustainable environmental protection the process of environmental policy development should constitute an integral part of the development process and cannot be considered in isolation.” Environmental policy development in Malaysia has, to a certain extent, lagged behind economic development. And while economic policy development in Malaysia has evolved through the process of structural adjustment, environmental policy development has only recently attained a footing in the overall scenario of national policy development (albeit an important one). One can argue that environmental policies in Malaysia have

been developed more or less as a reaction to new forms of developmental challenges. Increasing NGO participation in policy development, the creation of a broad-based national environmental policy; and the interest shown in integrated ocean governance indicate that there may be a shift toward a more integrated approach to national development.

## Economic Integration and the Political Economy of Environment in the Mekong River Basin

*Philip Hirsch*

The Mekong River Basin is often seen as underdeveloped in terms of its potential. This is despite a history of interest in the basin's resources, a long-standing framework for regional cooperation in development of the Mekong River Basin, and rapid economic growth in most riparian states. Recent political-economic change in mainland Southeast Asia has set the scene for rapid integration of the basin's constituent economies, in part due to complementarities between riparian countries' respective endowments and requirements. The environmental implications of a revived resource development agenda are considerable.

The author considers environmental implications of economic integration in the Mekong region with specific reference to development of aquatic and terrestrial resources of the basin. An important background context is the rapid pace of political-economic change in the region. The Mekong River Basin (population 60 million) is examined as the heart of the greater Mekong sub-region (population 250 million), and key resource and environmental parameters of the basin itself are shown to set an important economic-environmental agenda for regional/riparian states. The framework for regional cooperation is examined broadly in terms of an expanded ASEAN and through Asian Development Bank (ADB) agendas, and more narrowly in terms of the revived framework for Mekong cooperation under the Mekong River Commission.

The author's central argument is that the new framework for regional cooperation in a context of economic integration is leading to new pressures, competition, and likely conflict. The politics of new alignments among key actors are reflected in a move from geopolitical agendas as the center stage of debate over resource development in the region.

The rapid changes and realignments are not well reflected in national and regional institutional structures concerned with resources and environmental management. The policy implications point toward more integrated, inclusive, and participatory approaches to resource management, drawing in a wider range of players than hitherto included.

### Indigenous Peoples and Land-Use Policy in Indonesia: A West Kalimantan Showcase

*Stephanus Djuweng*

All Indonesians are considered native to any part of Indonesia and are first and foremost “Indonesian Nationals,” and therefore any disputes of an interethnic nature supposedly cannot arise. The aspirations of indigenous peoples that may be in conflict with government policies are not considered as interethnic matters but as political problems. This is the official approach when indigenous peoples protest against the acquisition of land by the state on behalf of the “public interest.” Government officials are advised to apply “persuasive” methods. Words such as *consultation* and *dialogue* are never used. The people who initiate such protests are considered to be “against development” and of course against the government. Thus, the problems between government policy and indigenous peoples, particularly in regard to land, are never “officially” recognized nor resolved.

The author explores how denial of indigenous peoples’ rights to land on which they have lived for centuries are not only rooted within the framework of Indonesia’s basic agrarian law but also within government policy that is dictated by the wish for dominance.

With particular reference to West Kalimantan, the author first highlights the social and cultural position of indigenous peoples in Indonesia and the development problems that affect them. The focus is on the Dayak cultural use of land and *Adat* law. Aspects of agrarian and other related laws are shown to constitute a license to deny the cultural heritage of indigenous peoples.

### Problems of Environmental Resource Use During the Process of Transition to a Market Economy in Vietnam

*Nguyen Ngoc Tuan*

The per capita income of less than US\$200 makes Vietnam one of the poorest countries in the world. And while the population density in most areas is exceeding its sustainable level, the population growth rate is still relatively high—about 2.2 percent per annum. With about 78 percent of the approximately 75 million people living in rural areas, Vietnam is very dependent on its agriculture and its natural resources. Agriculture accounts for about 40 percent of GDP, 60 percent of merchandise exports, and provides livelihood for over 77 percent of the total labor force. Processing of primary products accounts for 65 percent of an industrial production that makes up 20 percent of GDP.

The current economic transition from a mostly controlled to a market-driven economy started in 1989. It has given new impulse for the development of Vietnam. However, with a projected high GDP growth rate of 7 to 8 percent, Vietnam is increasingly confronted with a number of very real trade-offs in its development objectives. The trade-off between economic growth and environmental degradation in Vietnam will be particularly difficult to resolve because the wish to grow rapidly in order to reduce poverty and the objective of maintaining the integrity of the environment for future generations are likely to conflict frequently and directly.

### The Siting Problem of NIMBY Facilities: Cost-Benefit Analysis and Auction Mechanisms

*Euston Quah and Khye Chong Tan*

The siting of locally obnoxious but nationally relevant facilities, such as sewage treatment plants, incinerators, hydroelectric dams, and landfills, is becoming an important issue in public planning. Even though they may be acceptable on a national level and offer services for the general public, their placement is increasingly influenced by strong local sentiments, the not-in-my-backyard (NIMBY) syndrome. With economic integration and freer trade

fueling economic growth, the NIMBY problem is posing an increasing challenge to policymaking.

The author evaluates the available conflict-resolution instruments used for the siting of NIMBY facilities and, in particular, suggests two alternative auction mechanisms for localities affected by these facilities. In effecting the compensation payment, a strong adherence to the rules of

cost-benefit analysis is made. Finally, some equity concerns are also discussed.

The two compensation auction schemes are shown to be efficient to the extent that losses in welfare are restored; they are consistent with the notion that benefits are achieved at the least possible social cost.

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# ECONOMIC INTEGRATION AND ENVIRONMENT IN SOUTHEAST ASIA:

## ABOUT THE PRESENTERS AND DISCUSSANTS

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**Anggito ABIMANYU** is a lecturer at Gajah Mada University, Yogyakarta, and at the Inter-University Center for Economic Studies. His research interests include environmental economics, trade and the environment, and forestry issues.

**Richard ACKERMAN** is Chief, Technology and Pollution Policy, in the World Bank's Environmental Department. He is leading the development of the bank's new environmental guidelines, with a growing focus on private investment and environmental performance. He also worked with the bank's economic advisor to develop the institution's new approach to integrating environmental issues into economic development and to prepare major forest country studies reflecting this thinking.

**Wiku ADISASMITO** is the executive director of the Policy Research Institute for Sustainable Development, Indonesia (PELANGI), which has conducted extensive analyses of community-based resources management. He is a faculty member of the Department of Health Policy and Administration, School of Public Health, University of Indonesia. He also serves as the graduate program secretary of hospital administration, university of Indonesia.

**Brenda Jay C. ANGELES** is with the Department of Environment and Natural Resources in the Philippines. She is presently serving as a consultant to the Office of the Undersecretary for Legal and Legislative Affairs and Attached Agencies, as well as the Department of Environment and Natural Resources.

**Mohd Nizam BASIRON** is a senior analyst at the Maritime Institute of Malaysia, Center for Coastal Development, Marine Environment, and Resources in Kuala Lumpur, Malaysia. He is responsible for marine pollution matters particularly in relation to land-based marine pollution. He is presently reviewing the implementation of Chapter 17 of Agenda 21 in Malaysia.

**CHIA Lin Sien** is associate professor in the Geography Department at the National University of Singapore. His research focus is on marine pollution from ship sources. He undertook a project on the Management of Industrial Pollution in Singapore for the World Bank as part of a larger project involving other countries.

**Raymond CLÉMENÇON**, project director, is a senior research fellow at the University of California, San Diego, Institute on Global Conflict and Cooperation and a consultant to the Global Environment Facility (GEF) in Washington, D.C. He was section head at the International Affairs Division of the Swiss Environment Agency. His interests include financing mechanisms in international environmental politics, trade and environment, and institutional mechanisms in environmental policymaking.

**Stephanus DJUWENG** is the director of the Institute of Dayakology Research and Development (IDRD) based in Indonesia. IDRD is an NGO that focuses on human rights and environmental issues facing indigenous peoples. He is also the director of the West Kalimantan Cultural Heritage Conservation Revitalization research project.

**Philip HIRSCH** is currently senior lecturer in geography at Sydney University. He has done extensive work in the field of resource management and rural development in Southeast Asia. Dr. Hirsch has also taught at Silpakorn University in Thailand and undertaken collaborative research in the region.

**Jason HUNTER** is the environment program officer at the Nautilus Institute for Security and Sustainable Development where he works on Sustainable Development and Asia Pacific Regional Environment Network (APRENet) programs. Prior to joining the Nautilus Institute, Jason worked on programs at the International Institute for Sustainable Development (IISD). He has also served as a consultant to the National (U.S.) Oceanic and Atmospheric Association and other organizations. His current research focuses on economic instruments in environmental policy, regional cooperation on marine affairs in the Asia Pacific region, and APEC's emerging environmental agenda.

**Sitanon JESDAPIPAT** is project director at Thailand Environmental Institute (TEI) on Trade, the Environment, and Climate Change. He is also involved in national policymaking in these areas

**LE Quy An** is president of the Vietnamese Association for the Protection of Nature and the Environment. He is a member of the Council of the World Conservation Union (IUCN). He has served as director of the Hanoi University of Transport, vice chairman of the State Committee for Sciences, and deputy minister of Science, Technology, and Environment.

**LIM Lei-Theng** is a lecturer, Faculty of Law, National University, Singapore. She is also a member of the executive committee, Asia Pacific Center for Environmental Law, and a member of the editorial board, *Asia-Pacific Journal of Environmental Law*.

**Rusdian LUBIS** is director of the AMDAL Environmental Impact Agency (BAPEDAL) in Jakarta.

**Raphael Perpetuo M. LOTILLA** is deputy director-general of the National Economic and Development Authority in the Philippines. He is also the J. Collas Professor of Law at the University of the Philippines. He is currently coordinator of the Philippine Council for Sustainable Development and the Legislative Executive Development Advisory Council.

**Dr. Andrew James MACINTYRE** is associate dean in the Graduate School of International Relations and Pacific Studies at the University of California, San Diego, where he serves as associate dean, and heads the ASEAN-Pacific Project. His principal research interests are in the areas of comparative political economy, with a regional focus in Southeast Asia (particularly Indonesia) and the international relations of the Asia Pacific region.

**NGUYEN Ngoc Tuan** is director of the Human Geography Research Center at the National Center for Social Services and Humanities (NCSSA) in Hanoi, Vietnam. His areas of interest include urban environment management, natural resources management, and environmental policymaking.

**Jamul OTHMAN** is a lecturer in applied resource-environment policy analysis in the Department of Agricultural and Resource Economics at the National University of Malaysia, Bangi. His research interests include examining non-economic agricultural trade distortions, applied welfare analysis, and modeling the interface between the economy and the environment. In mid-1995, he participated in the USDA/UGA cooperative project analyzing the impact of NAFTA on U.S./Mexican farm labor. Othman is a member of the Asia Society of Agricultural Economics and the local Malaysian Association of Agricultural Economics.

**Mari PANGESTU** is head of the Department of Economic Affairs and member of the board of directors, Center for Strategic and International Studies (CSIS), Jakarta. In addition she is a lecturer on the faculty of the Department of Economics, University of Indonesia, and a lecturer at Prasetiya Mulya Graduate School of Management, Jakarta. She is also coordinator of the PECC Trade Policy Forum.

**Euston QUAH** is acting vice-dean of the faculty of the Arts and Social Sciences, National University of Singapore. He has served as consultant to the Ministry of Finance and Ministry of Trade and Industry, Singapore.

**Mark RADKA** is industry program officer, United Nations Environment Program (UNEP), Regional Office for Asia and the Pacific, Bangkok. He is responsible for regional activities conducted as part of UNEP's Global Industry and Environment Program. Prior to joining UNEP he worked in Washington, D.C. as a consultant to the U.S. Environmental Protection Agency and the World Bank, where he managed efforts to transfer non-ozone-depleting technologies to enterprises in developing countries, primarily in Asia.

**Kurnya ROESAD** is a researcher at the Department of Economics, Center for Strategic and International Studies. He works on trade and environmental policy. He served as project manager for two country studies on trade and environment for ASEAN and the United Nations Commission on Trade and Development (UNCTAD).

**Jeff ROMM** is professor of Environmental Science in the Department of Environmental Science, Policy, and Management at the University of California, Berkeley. Formerly he was director of the Energy Resources Group at the University of California, Berkeley.

**Gurmit SINGH** is executive director of the Center for Environment, Technology, and Development (CETDEM) in Malaysia. His work focuses on sustainable development and global, regional, and environmental issues, particularly in NGOs.

**Susan SHIRK** is director of the Institute on Global Conflict and Cooperation, University of California (UCSD), San Diego, and professor of political science at the International Relations and Pacific Studies Department at UCSD. Dr. Shirk's books include *The Political Logic of Economic Reform in China* and *Competitive Comrades: Career Incentives and Student Strategies in China*. Professor Shirk has been named U.S. Assistant Deputy Secretary of State for East Asia, 1997-99.

**Dr. Hadi SOESASTRO** is executive director and member of the board of directors of the Center for Strategic and International Studies (CSIS). He is a member of the faculty of the Graduate School of Management, Prasetiya Mulya, Jakarta, and associate editor of the *Asian Economic Journal* (Hong Kong). He is also a member of the international advisory boards of the *Bulletin of Indonesian Economic Studies* (Canberra, Australia), Research Institute of International Trade and Industry, Miti, Japan, and the ASIA Society, New York.

**Somsak SUKWONG** is director of the Regional Community Forestry Training Center (RECOFTC) at Kasetsart University, Thailand. His research interest is in forestry issues in Thailand, Laos, Cambodia, and Vietnam.

**Khye Chong (K. C.) TAN** is senior lecturer, Division of Actuarial Science and Insurance, Nanyang Business School, Nanyang Technological University, Singapore. In addition, he has served as consultant to statutory boards and financial institutions. His research interests include cost-benefit analysis, insurance, and risk management.

**Charit TINGSABADH** is director of the Center for Ecological Economics, Faculty of Economics, Chulalongkorn University, Thailand. Previously he was deputy director at the Environmental Research Institute at the Chulalongkorn University. In addition, he has served as economist at Regional Planning Division, National Economic and Social Development Board, Thailand.

**TRAN Thi Thanh Phuong** is deputy director of Planning and International Relations Division of the Vietnam Environmental Agency. She is particularly interested in environmental impact assessment, environmental management, and development.

**Marites VITUG** is a member of the Board of Editors of the Philippine Center for Investigative Journalism, a nonprofit news organization. She is the Philippine correspondent for *Newsweek* and associate editor for Southeast Asia of *World Paper*. Her recent publications include her widely renowned book *Power from the Forest: The Politics of Logging*, which won the 1993 National Book Award in the Philippines.

**David WOODRUFF** is professor of biology at the University of California, San Diego. He also serves as faculty advisor to students in the Ecology Program and is faculty director of the Education Abroad Program. He is interested in the problems of communication between academic scientists, developers, government policymakers, and politicians in Southeast Asia, particularly Thailand. His research focuses on the impact of forest fragmentation and habitat degradation on biodiversity conservation and on the public health consequences of Mekong River Basin hydropower projects.

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Centre for Strategic and International Studies (CSIS)

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## AGENDA AND PARTICIPANTS

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### PRESENTERS

#### *Opening Remarks*

**Honorable Sarwono KUSUMATMADJA**  
Ministry for the Environment, Jakarta

**Prof. Susan L. SHIRK**  
Director, IGCC

**Dr. Hadi SOESASTRO**  
Director, CSIS

#### *Introduction: ASEAN Regional Perspectives; Trade and Environment*

**Dr. Raymond CLÉMENÇON**  
Environment Project Director, IGCC

**Dr. Mari PANGESTU**  
CSIS

**Mr. Mark RADKA**  
United Nations Environment Programme, Bangkok

**Mr. Kurnya ROESAD**  
CSIS

#### *Institutional Responses to Sustainable Development*

**Dr. LE Quy An**  
President, Vietnamese Association for the Protection of Nature, Hanoi

**Dr. Raphael Perpetuo M. LOTILLA**  
Deputy Director General, National Economic and Development Authority, Pasig City, Philippines

**Mr. Agus SARI**  
Energy and Resources Group, UC Berkeley

**Mr. Gurmit SINGH**  
Director, Environmental Protection Society of Malaysia; Center for Environment, Technology and Development, Petaling Jaya

#### *Forestry Management*

**Prof. Anggito ABIMANYU**  
UGM Fakultas Ekonomi, Jogjakarta, Indonesia

**Prof. Jamal OTHMAN**

Faculty of Economics, National University of Malaysia, Selangor

**Prof. Jeff ROMM**

Dept. for Environmental Science, Policy, and Management, UC Berkeley

**Dr. Somsak SUKWONG**

Director, Regional Community Forest Training Center, Kasetsart University, Bangkok, Thailand

**Dr. Marites Danguilan VITUG**

Board of Editors, Philippine Center for Investigative Journalism, Rizal

*Environmental Impact Assessments as Policy Tools*

**Ms. LIM Lei Theng**

Faculty of Law, National University of Singapore

**Prof. Charit TINGSABADH**

Director, Center for Ecological Economics, Chulalongkorn University, Bangkok, Thailand

*Environment and Development in ASEAN*

**Dr. Wiku ADISASMITO**

Policy Research for Sustainable Development (PELANGI), Jakarta

**Dr. Mohd Nizam BASIRON**

Senior Analyst, Center for Coastal Development, Maritime Institute of Malaysia, Kuala Lumpur

**Prof. Philip HIRSCH**

Dept. of Geography, University of Sydney, Australia

**Dr. Sitanon JESDAPIPAT**

Project Director, Thailand Environment Institute, Bangkok

**Mr. Anung KARYADI**

Policy Research for Sustainable Development (PELANGI), Jakarta

**Mr. Leonard SIMANJUNTAK**

Policy Research for Sustainable Development (PELANGI), Jakarta

**Dr. TRAN Thi Thanh Phuong**

Director of International Relations, National Environment Agency, Ministry of Science, Technology and Environment, Hanoi

*NGO and Community Participation in Policymaking*

**Dr. Stephanus DJUWENG**

Director, Institute of Dayakology and Research Development Pontianak, Kalimantan, Indonesia

**Dr. NGUYEN Ngoc Tuan**

Director, Human Geography Research Center for Social Sciences and Humanities, Hanoi

**Prof. Euston QUAH**

Dept. of Economics and Statistics, National University of Singapore

**Dr. TAN Khye Chong**

Nanyang Business School, Nanyang Technological University, Singapore

## ROUND TABLES

*Impact of Economic Integration on Environmental Policymaking  
The Role of Regional and International Organizations*

## ADDITIONAL PARTICIPANTS

### *INDONESIA*

**Mr. Ananta GONDOMONO**  
CSIS

**Mr. Fritz LOBUS**  
UNDP, Jakarta Pusat

**Mr. Rusdian LUBIS**  
Director, Environmental Impact Agency (AMDAL), Jakarta

**Mr. Agus PURNOMO**  
Director, World Wildlife Fund for Nature Indonesia, Jakarta Selatan

**Dr. Riga Adiwoso SUPRAPTO**  
Lembaga Ecolabel Indonesia, Jakarta Pusat

### *PHILIPPINES*

**Ms. Brenda Jay C. ANGELES**  
Dept. of Environment and Natural Resources, Quezon City

### *SINGAPORE*

**Prof. CHIA Lin Sien**  
Dept. of Geography, National University of Singapore

### *THAILAND*

**Prof. Suthawan SATHIRATHAAI**  
Center for Ecological Economics, Chulalongkorn University, Bangkok

### *USA*

**Dr. Richard ACKERMAN**  
Head, Technology and Pollution Management Unit, Dept. of Environment

**Mr. Jason HUNTER**  
Program Officer, Nautilus Institute, Berkeley, CA

**Prof. Andrew MACINTYRE**  
Grad. School of International Relations and Pacific Studies (IRPS), UC San Diego

**Prof. David WOODRUFF**  
Dept. of Biology, UC San Diego

# THE UNIVERSITY OF CALIFORNIA INSTITUTE ON GLOBAL CONFLICT AND COOPERATION

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**T**he University of California Institute on Global Conflict and Cooperation (IGCC) was founded in 1983 as a multi-campus research unit serving the entire University of California (UC) system. The institute's purpose is to study the causes of international conflict and the opportunities to resolve it through international cooperation. During IGCC's first five years, research focused largely on the issue of averting nuclear war through arms control and confidence-building measures between the superpowers. Since then the research program has diversified to encompass several broad areas of inquiry: regional relations, international environmental policy, international relations theory, and most recently, the domestic sources of foreign policy.

IGCC serves as a liaison between the academic and policy communities, injecting fresh ideas into the policy process, establishing the intellectual foundations for effective policy-making in the post-Cold War environment, and providing opportunities and incentives for UC faculty and students to become involved in international policy debates. Scholars, researchers, government officials, and journalists from the United States and abroad participate in all IGCC projects, and IGCC's

publications—books, policy papers, and a semi-annual newsletter—are widely distributed to individuals and institutions around the world.

In addition to projects undertaken by the central office at UC San Diego, IGCC supports research, instructional programs, and public education throughout the UC system. The institute receives financial support from the Regents of the University of California and the state of California, and has been awarded grants by such foundations as Ford, John D. And Catherine T. MacArthur, Rockefeller, Sloan, W. Alton Jones, Ploughshares, William and Flora Hewlett, the Carnegie Corporation, the Rockefeller Brothers Fund, the United States Institute of Peace, and The Pew Charitable Trusts.

Susan L. Shirk, a professor in UC San Diego's Graduate School of International Relations and Pacific Studies and in the UCSD Department of Political Science, was appointed director of IGCC in June 1992 after serving for a year as acting director. Former directors of the institute include John Gerard Ruggie (1989–1991), and Herbert F. York (1983–1989), who now serves as director emeritus.

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- Paper costs rose 25 percent;
- Postal rates rose 10 percent;
- Federal Executive emphasis sparked explosive growth in public availability and use of Internet resources (the so-called “information superhighway”).

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In cooperation with the University of California, San Diego Graduate School of International Relations and Pacific Studies, in December 1994 IGCC established a “Gopher” server. Thereafter, all text-based IGCC materials and publications (including informational brochures, newsletters, and policy papers) became available via the Internet.

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Electronic publishing has not merely expanded readership of existing print publications: it is fundamentally re-defining the scope, nature, and audience for research products. In 1995–96, IGCC began cutting-edge investigation of how our online publishing efforts might be merged with other internet systems to foster, support, and report on regional “track-two” diplomatic efforts.

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Jennifer R. Pournelle, Managing Editor  
University of California Institute on Global Conflict and Cooperation  
9500 Gilman Drive  
La Jolla, CA 92093-0518  
phone (619) 534-1979 or (619) 534-3352  
Fax (619) 534-7655  
email: jpournelle@ucsd.edu or ph13@sdcc12.ucsd.edu  
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gopher: igcc.ucsd.edu