TIMBER BOOMS AND INSTITUTIONAL BREAKDOWN IN SOUTHEAST ASIA

This book explores three puzzles: Why did the Indonesian, Malaysian, and Philippine governments disastrously mismanage their forests? Why have the governments of many developing states done the same? And why do states generally squander their natural resources?

In this study, Michael L. Ross draws on the new institutional economics, the theory of rent-seeking, and examples from Southeast Asia, to show how the volatility of international markets can damage the institutions of developing states – and lead to the plunder of natural resources.

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TIMBER BOOMS AND INSTITUTIONAL BREAKDOWN IN SOUTHEAST ASIA

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For Sophie
“The economies of frontier countries are storm centers to the modern international economy.”

Harold Innis (1956: 382)
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This book grew out of my dissertation, which in turn reflected my concern about tropical deforestation in Southeast Asia. In 1994 I visited the region’s leading timber-exporting states – the Philippines, Indonesia, and Malaysia – to learn more about their forests and forestry policies. Unlike some observers, I believed that these governments were wise to authorize logging on at least a limited scale, and to convert a portion of their forests into agricultural land. The United States had done much the same thing in an earlier era, using its abundant forests to spur development; why should not developing states today make a similar choice? I was initially impressed by the forest policies of these three states – or, rather, four states, since in Malaysia forest policies are made at the state level, and most of Malaysia’s timber came from the autonomous states of Sabah and Sarawak on the island of Borneo. I was also struck by the dedication of many of their foresters. Yet I gradually realized that the policies of their forestry departments were systematically ignored by politicians, particularly when it came to distributing timber concessions. As a result, these governments had at times authorized logging at rates far above the sustained-yield level, even in forests that were ostensibly set aside for “sustainable” forestry. The story began to make sense only after I uncovered documents – including previously confidential reports from the archives of the U.N. Food and Agriculture Organization (FAO) in Rome – that showed evidence of fierce internal struggles in these states between forestry officials, who sought to protect the institutions and policies of sustained-yield logging, and the politicians who sought to dismantle them. Almost invariably, the politicians won.

My dissertation chronicled the policy failures of the four governments, and drew on the new institutional economics and the theory of patron-client relations to help explain them. My advisors and colleagues seemed
satisfied with my work, and urged me to publish my dissertation and get on with future projects. Yet I was dissatisfied with my analysis and was reluctant to part with it. My argument was narrowly tailored to my four cases, and said little that was new or enlightening to scholars who worked on more general topics, such as the sources of institutional change, or the problems of natural resource exporters. I also lacked a good explanation for some of the most puzzling aspects of the four cases, including why their policy failures varied over time and from case to case.

I consequently began to study other types of commodity booms in other states, to see if the policy failures that beset Southeast Asia’s timber exporters fit into a larger category of phenomena. Most prior studies of commodity booms were produced by economists, who were preoccupied with an intriguing puzzle: While standard economic theories suggested that commodity booms should have a positive (or at least, neutral) effect on a country’s economic development, often their impact was harmful. Sometimes this harm was caused by a condition known as the Dutch Disease; yet many studies found that policy failures were at fault. A major study of Dutch Disease states by economists Neary and van Wijnbergen (1986: 10–11), for example, concluded,

In so far as one general conclusion can be drawn [from our collection of empirical studies] it is that a country’s economic performance following a resource boom depends to a considerable extent on the policies followed by its government. . . . [E]ven small countries have considerable influence over their own economic performance.

The policy failures described by these studies were – at least to my political scientist’s eye – strikingly similar across regions, commodities, and regime types. Moreover, they suggested a beguiling paradox: Why should the good fortune of a commodity windfall lead to bad policy-making? This book draws on the theory of rent seeking to offer a general explanation for this paradox, and uses the cases of Southeast Asia’s timber exporters to illustrate my argument.

In preparing this book I incurred an absurdly large number of debts. Most of them date back to 1993–6, when I first studied the politics of forestry in Southeast Asia and wrote my dissertation. I was immeasurably aided by my three dissertation advisors: Atul Kohli, John Waterbury, and George Downs. Now that I have the privilege of advising graduate students myself, I do my best to replicate the wisdom, patience, candor, and good humor of my own advisors.
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As one with no prior experience in Southeast Asia, and no prior knowledge of forestry, I was exceptionally dependent on the assistance of others during my field work. In Rome, Franca Monti dependably guided me through the FAO's archives. At the Universiti Malaya, I was fortunate to be sponsored by Dr. Mohamad Abu Bakar and Dr. Norazit Selat. I am especially indebted to Dr. Jomo Kwame Sundaram for his help and companionship, and to Clive Marsh for his assistance while in Sabah. In Indonesia I was graciously housed and assisted by the Center for International Forestry Research in Bogor; I am grateful to Neil Byron and Jeff Sayers for making this possible. My research was repeatedly aided by Dr. Rizal Ramlı, Colin MacAndrews, and Jim Douglas, and my stay was enriched by my friendship with William Sunderlin, by the extraordinary hospitality of the extended Soedjatmoko family, and by the warmth and companionship of Bama Athreya, Robert Lang, and their cat Gregor. In the Philippines I was lucky to receive the help and hospitality of Marites Vitug, whose extensive research on Philippine logging politics made my own efforts possible. Chip Barber of the World Resources Institute also went out of his way to help me in both Washington, D.C., and the Philippines, and I owe him a special debt of gratitude.

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Some of the people and institutions I have thanked may disagree with all or parts of this book. I alone am responsible for its contents, including all remaining errors in fact and lapses in judgment.

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