

NINTH EXECUTIVE FOREST POLICY COURSE

SUSTAINABLE DEVELOPMENT GOALS, CLIMATE CHANGE  
AND THE FUTURE OF FORESTS IN THE ASIA-PACIFIC

24 May - 2 June 2016, Yogyakarta, Indonesia

The ECONOMICS of FORESTRY  
in a GLOBALISED WORLD

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ICIMOD





## ECONOMICS:

the study of how societies decide what to produce (who, where, how.. ) and

What to consume (who, where, how.. );

Also deals with how scarce resources are allocated and managed to satisfy the needs and wants of societies



# *Who wants what from the forests?*

*Is there a system that manages forest resources for the desired mix of goods and services for society, in roughly the “right” proportions, to maximise net benefits to society and minimise conflicts over the mix of Goods & Services, who gets access, and who pays/who benefits?*

***Globalisation** disrupts old models and concepts of what forestry does and how.*

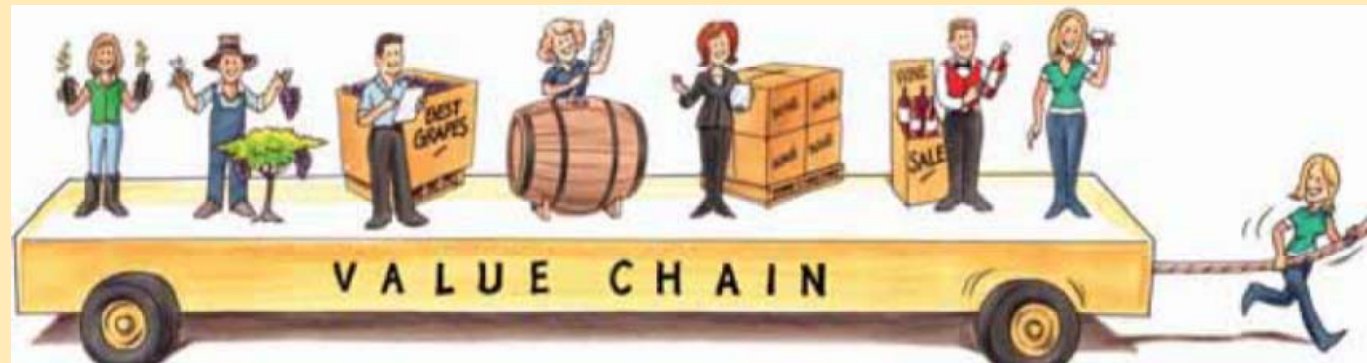
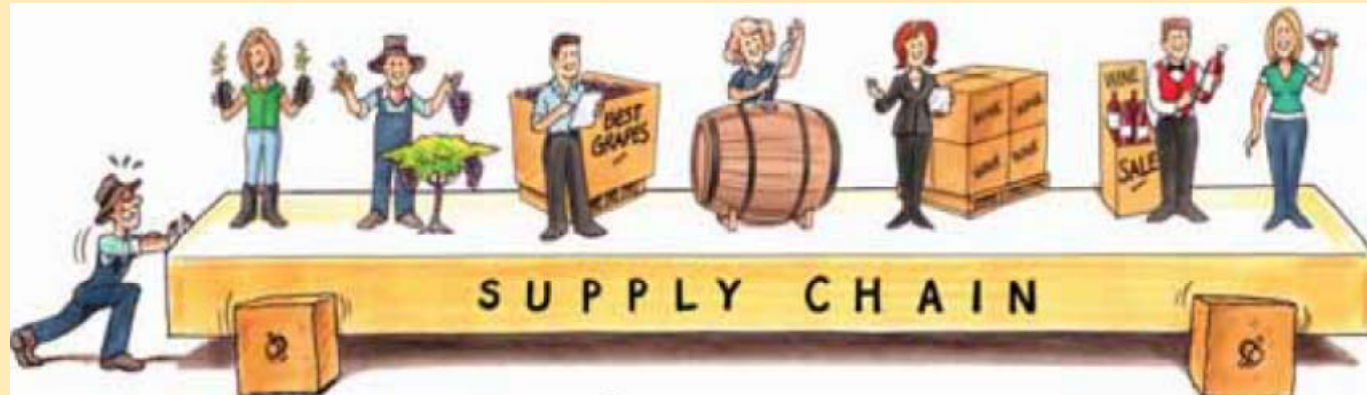


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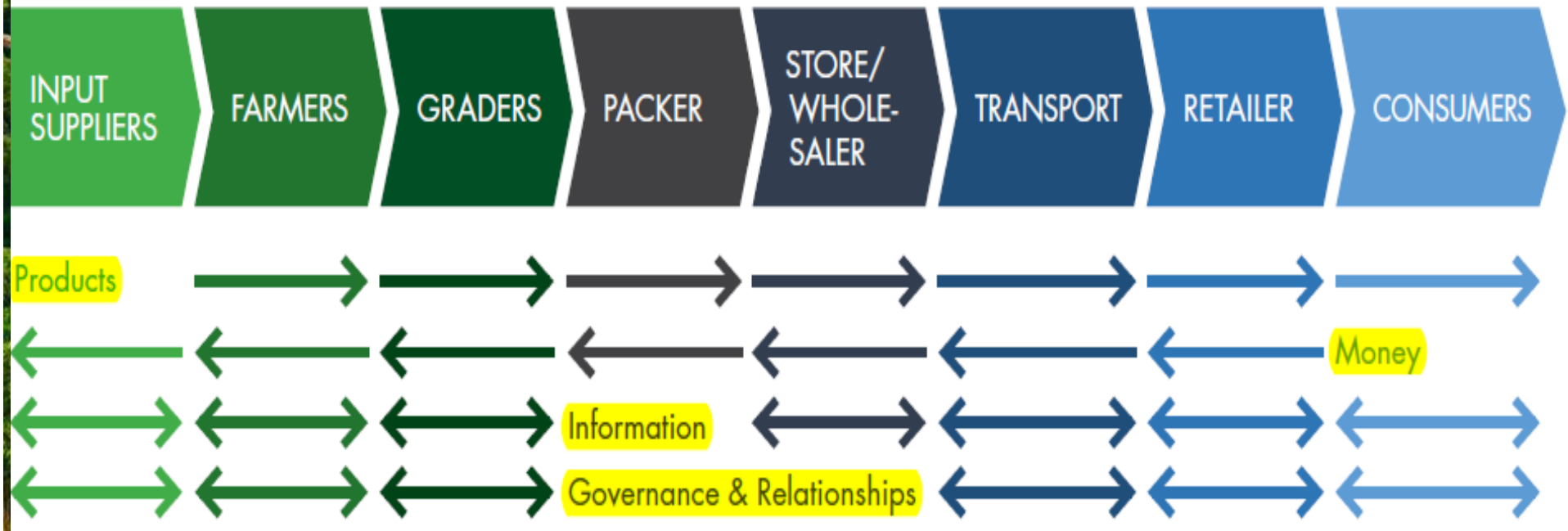
# Supply chain vs value chain



First figure: Traditional supply chain —supply push; Second figure: Sustainable value chain —consumer demand pull (Fearne, 2009).



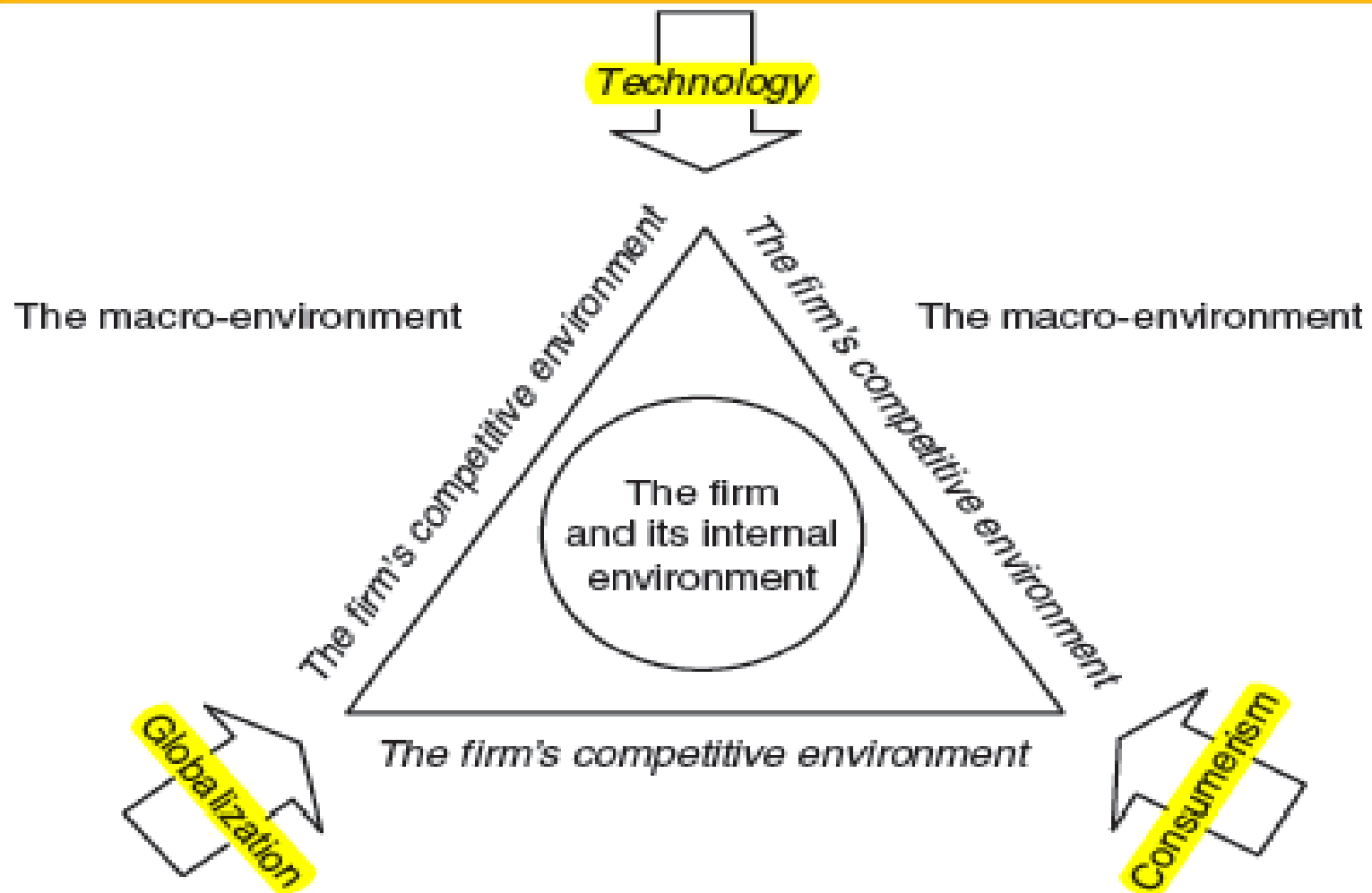
# VC framework: how it works?



Value Chain analysis/management involves four factors  
(Collins et al. 2015)



# collaborative interdependence



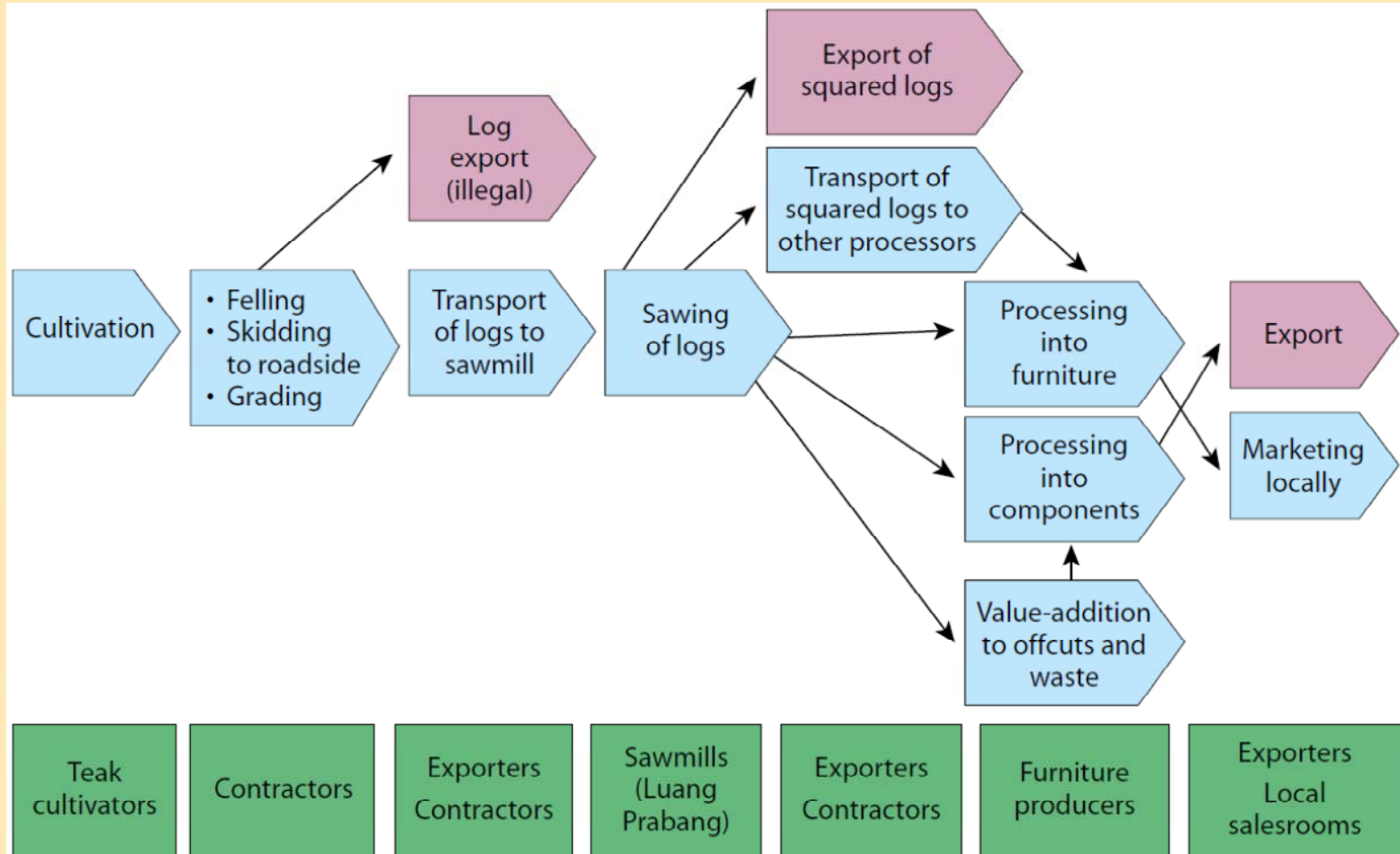
(Dunne and Collins, 2004; Collins, 2009)



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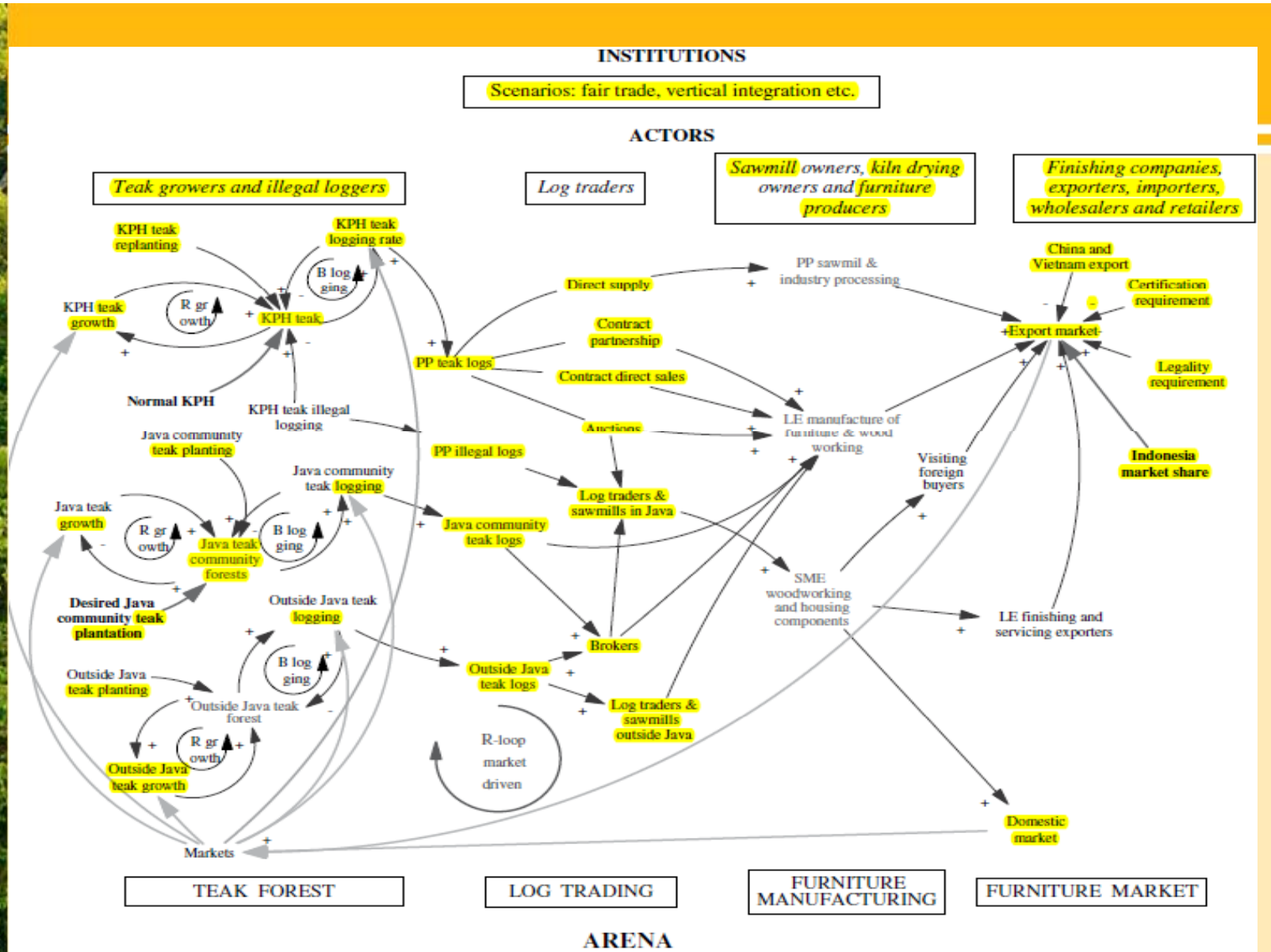
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Value chain for plantation teak furniture in Lao PDR (Mohns 2009)





Causal-loop diagram of teak furniture business in Indonesia (Purnomo et al., 2009)





# Why is globalisation increasing?

- It's not new, but is accelerating
- Enabled by two economic effects:
- Lower transport costs (per ton and per kilometre) as cargo vessels get bigger more efficient and cheaper to operate; and
- huge cost-savings from ever-larger units of production and manufacturing (“economies of scale”) with capital-intensification and newer technologies



# The global marketplace

- Raw materials can come from anywhere – local growers have no particular advantage in many cases.
- Products can be transported anywhere – even local buyers have to pay the world market price
- Customers and processors always searching for low-cost reliable suppliers, and producers always looking for customers who pay best price

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Global Value chains does NOT mean that one global entity will control the entire chain, exploiting growers, customers and escaping national sovereignty etc.

**It is neither necessary nor desirable that a single corporation organise every step in the chain - this has always failed.**



# Why do concerns about globalisation persist?

## What does this analysis overlook or get wrong?

- Governments concerned about **local** impacts - social, economic and environmental?
- Will other countries' processors making "unreasonable" demands (extra-territoriality)
- Do consumers care about product attributes other than **Price** e.g. where, how and by whom was it made? Product safety? environmental credentials? other issues?



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