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September 14<sup>th</sup> 2005

Mr. Chen, Yuan  
Governor,  
China Development Bank  
29 Fuchengmenwai St., Xicheng District  
Beijing 100037  
P. R. China

Dear Mr. Chen,

### **Re: Palm Oil Plantation in Kalimantan**

You will please find enclosed a copy of our letter to Mr. Piaman Turnip, the Indonesian Consul General in Hong Kong. We believe the contents of the letter are self-explanatory.

We are writing to you because we understand the China Development Bank is providing financial assistance in the amount of US\$8 billion to the captioned project.

We note from the information on your website that your primary focus is on China, in particular on “developing ‘bottleneck’ trades that restrict China’s economic development”. Several places on your website refer to your commitment to “sustainable” growth and development.

Given your focus on China, it is surprising that the CDB should be involved in such a questionable and irresponsible project in Indonesia, which seems to be in breach of Indonesia’s own laws, makes little economic sense, will involve large scale destruction of a forest wilderness harbouring a wide diversity of species, and will lead to soil erosion whose effects will be suffered by thousands of Indonesian citizens.

You will be well aware of the effects which logging and soil erosion has had in China. After the devastating floods of 1998, China instituted a ban on further logging in large areas around the headwaters of the Yangtze and Yellow Rivers. Unfortunately, the demand for timber from Chinese industry has not abated. Cut off from domestic supplies because of the logging ban, China is now the second largest importer of timber in the world. The effect of this has been to “export” the problem of deforestation and soil erosion to other parts of the world.

It has been suggested that the reason for the captioned project may be access to the logging rights in the area earmarked for the palm oil plantation. In the context of the above, it is hoped that this project is not one of the “ ‘bottleneck’ trades that restrict China’s economic development”.

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As a responsible financial institution, we trust that CDB will abide by best practice in its assessment of projects which it will finance. Similar institutions such as the World Bank, Asian Development Bank and European Bank for Reconstruction and Development have strict policies on the environmental and social impacts of its funded projects. As a growing world citizen, we hope that China too will acknowledge its responsibilities in these areas.

Deforestation and soil erosion is a critical conservation issue worldwide, so much so that it threatens the continued health of our planet. China has initiated a new economic initiative known as “Green GDP”. We hope that it will apply the same standards abroad as it is beginning to do at home.

We strongly urge the CDB to withdraw its support from this project, to avoid the disastrous social and environmental consequences inherent in the project.

Yours very truly

Eric A. Bohm  
CEO

c.c. Mr. Paiman Turnip, Indonesian Consulate General, Hong Kong