

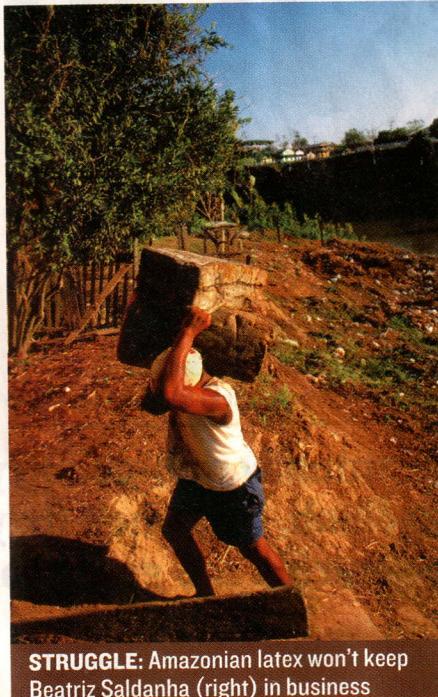
# Jungle Economics

**Environmentalists thought they could save the rain forest and make money at the same time. They were wrong.**

BY MAC MARGOLIS

**T**HIS TIME LAST DECADE, the world was worried sleepless over the fate of the Amazon rain forest. Beatriz Saldanha decided to do something about it. So she shut down her beachwear business in Rio de Janeiro and grabbed a backpack. Her plan: to bring an isolated community of Amazonian forest dwellers into the global economy. It was a loopy idea. And it worked. By bathing sheets of raw cotton in latex, gently milked from wild rubber trees, she came up with "vegetable leather," a tough, pliable fabric that could be fashioned into jackets, jeans and tote bags. Today her company, Amazon Life, is an international brand, with upmarket clients like Hermès, the Dutch bicycle maker Giant and the British cosmetics label Lush. But all that may soon collapse. Despite a modest operating profit, Amazon Life is \$1 million in the red. Now its major creditor, the government-owned National Social Development Bank, is threatening to foreclose. "To us," the bank told her recently, "your company has failed."

The tale is sobering, not just for Saldanha and the small band of rubber tappers she employs but also for anybody concerned with the state of the Amazonian wilderness. For more than a generation, environmentalists, policy wonks and conscientious capitalists have locked arms to find a sustainable way of preserving the wilderness—sustainable for both trees and people. The idea was to help forest dwellers and rural settlers profit from the wilderness without destroying it. Tread gently, the wisdom went, and untold wealth could be had,



**STRUGGLE:** Amazonian latex won't keep Beatriz Saldanha (right) in business

plucked so lovingly from the wild that not even God would miss it.

By this thinking the Amazon, the world's biggest tropical rain forest, was not a shrine to nature but a living emporium, worth more in dollars and cents upright than uprooted. The steamy 10-story forest canopy had it all—herbs, oils, perfumes and elixirs, and perhaps someday even cures for AIDS or cancer. To Saldanha and countless other "ecocapitalists" who followed, such ventures were living proof of a bold conviction: that man and forest were fated to be not enemies but partners. Now she—and plenty of environmental-

ists—are wondering if it was all a dream.

Saldanha's saga is just one sign that this whole way of thinking about the business of conservation is in trouble. For one thing, it obviously hasn't put a dent in the destruction of the Amazon. Poring over satellite photos taken last year, Brazilian scientists discovered that 25,500 square kilometers of forest—an area the size of Belgium—had disappeared in 2002. Twelve years after the world pledged to mend its ruinous ways at the much-ballyhooed Earth Summit in Rio de Janeiro, the alternatives are also failing. Selective timber harvesting—culling mature trees without clear-cutting the forest—has proved costly and inefficient. Even bona fide "ecologically friendly" activities—such as collecting wild fruits, rubber and nuts—are money-losing propositions, or worse. The Switzerland-based Worldwide Fund for Nature warns that galloping global demand for "natural" remedies has pushed 4,000 to 10,000 plant species to the brink of extinction. Successful businesses take a heavy toll on the wilderness, while the most environmentally benign sustain only the trees.

That's not what Chico Mendes had in mind when he rallied a ragged band of rubber tappers to stop cattlemen from chopping down trees for pasture in Acre, in western Amazonia. The backwoods labor leader was shot and killed by an angry rancher 15 years ago for his trouble and became the world's first ecomartyr. His disciples understood that the power brokers in Brasília wanted progress rather than conservation, and they thought they had figured out a way to have both. Scores of forest-friendly projects like Amazon Life bloomed. The New Age beauty boutique

the Body Shop bought natural dyes and nuts from Indian villages. Brazil nuts culled from the forest floor were stirred into Ben & Jerry's Rainforest Crunch ice cream.

What's become clear over time is that such projects are rarely profitable. Just getting forest goods to the grocer's shelves is an epic task. When the precarious Xapuri forest cooperative failed to deliver enough Brazil nuts, Ben & Jerry's had to rely on Amazonian agrimoguls for extra crunch, and then added cashews grown on plantations. Rainforest Crunch is no longer made. In other cases agreements have foundered over questions about the division of spoils. The Body Shop's celebrated agreement with the Kayapó Indians disintegrated after a nasty row over royalties. For all the environmentally correct initiatives, Brazil culls fewer fruits, nuts and oils from the wilds today than it did half a century ago.

Sustainability Indexes, which list businesses with racially diverse work forces or clean energy technology. Despite official blessings and a Switzerland-size swath of Amazon rain forest set aside for only the gentlest sort of enterprise, the forests themselves have seen little of this windfall. But myths die hard. In the late '90s John Forgach, a one-time senior executive at Chase Manhattan Bank, launched the "concept fund" A2R, hoping to lure investors to "biodiversity" ventures. "I'm not out just to save the forest," he once declared. "I want to make money." With cash from the World Bank and other lenders, he scoured the planet for environmentally correct companies in need of capital, funding things like low-impact timer harvesting, ecotourism and organic agriculture. His assets reached \$27 million, and he talked of reaching half a billion. By last February, with the stock market flat

concessions to big lumber combines and settler communities alike that have earned certificates, or "green seals," from international forestry authorities. "Once people see the rain forest is valuable," Viana claims, "they will defend it."

But will they? The record on managed logging in the tropics is dismal. "We should have seen second-, third- and fourth-generation timber on the market by now, and there isn't any," says Niro Higuchi, a forestry expert at Brazil's National Amazon Research Institute, or INPA. Now Asian loggers are heading to Brazil, Higuchi says, "because their own reserves are gone." Only a handful of Amazonian lumber companies have met international "sustainability" standards, and the most famous one of all, MIL/Precious Woods, is running out of timber well ahead of its planned 25-year logging cycle. "After you harvest those big,



**AGAINST THE TIDE:** The logging industry does a brisk, but not sustainable business; Forgach retired from green investments to teach forestry

Even those companies that don't rely on local partners have had little luck in the Amazon. For a time big drug companies were excited by the research possibilities held out by the medicinal roots and plants long used by rain-forest shamans. The truth is, it's rarely worth the time and money it takes to turn a plant into a useful pill or potion. It's easier to use computers to simulate the chemical makeup of medicinal plants in the laboratory. "They say there's a trillion dollars hidden in the rain forests, but so far few companies have seen any of that," says Eric Noehrenberg, trade director of the Geneva-based International Federation of Pharmaceutical Manufacturers. "I call it the green-gold myth."

Socially responsible investing is all the rage; just look at the surging Dow Jones

and many of his companies failing, the creditors "simply pulled the plug," he says. "I believe in sustainability. It's a much more intelligent way to do business. But this concept business is for better times." Forgach now teaches forestry at Yale.

Acre Gov. Jorge Viana still holds out hope. In his state, the biggest source of income is the federal treasury, which underwrites 84 percent of local spending. In the real economy only cattle ranchers have flourished, and as their pastures spread, so does deforestation. Still, Viana, a trained forestry engineer, believes that the salvation of the Amazon lies in managed tropical forestry: prized woods like mahogany and cedar are cut carefully to allow new trees to sprout for future harvesting. Viana is handing out tax breaks and sprawling logging

valuable 100-year-old trees, it gets a lot harder," says Philip Fearnside, an ecologist at INPA. No wonder the vast majority of timber falling in the rain forest is bootleg.

The big question behind the struggling eco-enterprises is whether preservation should be seen as a business at all. Three years ago Pirelli, the Italian tire maker, launched the Xapuri, a truck tire made from latex from the wilds of Acre. Pirelli loses money on the deal, but it reaps a social dividend for assisting impoverished rubber tappers, who, but for subsidies, might have disappeared long ago. "If you apply the law of the market, you are going to create false expectations," says Beatriz Saldanha. Saving the wilderness, she knows, is a worthy effort in its own right, and one that society must underwrite. The rest is a green illusion. ■

