**GENERAL INSTRUCTIONS**

**Background**

Forest City a gated community development project, built on land reclamation, is located on the southern tip of Malaysia. It is being marketed primarily to international clientele, not local Malaysians.

The developer, a large Chinese real estate company named Country Garden, was forced to halt construction early in the project and complete a Detailed Environmental Impact Analysis (DEIA), partly because of international pressure from Malaysia’s neighbor, Singapore. The Forest City reclaimed islands are located between Singapore and Malaysia in the Straights of Johor.

After a year of work by a Malaysian consultant, the DEIA is now complete. As a result of the DEIA, the Department of the Environment (DOE) says Forest City’s design will need some changes, if it is to be approved.

Country Garden is also facing pressure from some members of the local Malaysian community, who recently took advantage of a public meeting set up by Country Garden to express their anger at the way in which the development has proceeded thus far.

The DOE has set up a private meeting with Country Garden’s Forest City Project Manager to talk through the key concerns that have been raised as a result of the DEIA (which was required by the top court in Malaysia). They are also inviting a representative of the local community so their concerns can be taken into account in whatever final agreement is made.

**The Stakeholders**

*Forest City Project Manager* - The project manager oversees all work related to Forest City in Malaysia and reports directly to Country Garden’s founder and top executive in China. After experiencing the costly delay caused by the stop work order (the federal government order requiring the pause in construction), the project manager softened their original resistance to make changes to the Forest City plan, and has shown an increasing willingness to revise the plans and cooperate with the national government of Malaysia. They are eager to get the project back on track as quickly as possible, although they recognize this will likely require concessions. The Forest City Project Manager’s top priorities are still ensuring a healthy profit, minimizing risk, and selling required changes to executives back in China.

*Minister of the Environment* - The Minister of the Environment was very reluctantly pulled into this dispute. While the Minister has a reputation for caring deeply about Malaysia’s many unique environmental assets, they have also have shown themselves willing to prioritize development over environmental protection when convinced it’s in the country’s economic interests to do so. The Minister wants to protect as much as possible of the fragile seagrass and mangrove ecosystems threatened by the project, in part, to ensure that Singapore’s concerns are appeased. At the same time, the Minister is concerned about taking measures that could anger powerful state officials (that fully supported the original project design) and scare away future foreign investment. The Minister is desperately looking for a way to protect the environment, spur economic growth, and ensure that the project directly benefits Malaysians.

*Community Liaison* - The Community Liaison has been selected by a group of local organizations to represent their views at the meeting. These organizations include the Johor Fishermen’s Association, local taxpayer groups, environmental NGOS, and several coalitions of Orang Asli (the indigenous people of the region). These groups have diverse concerns and priorities. Some are primarily concerned about ensuring that the local community benefits from the training and jobs created by the project. Others are horrified by Forest City’s size and the impact it is likely to have on seagrass and mangrove areas that are integral components of their communities’ economies. Fishermen are angry that Country Garden began dumping sand in their fishing grounds without giving them any advance warning.

While they have no near term, direct means to influence the project, the Community Liaison and the groups they represent do have the ability to cause Country Garden substantial ongoing political headaches if their concerns are not addressed.

**Ground Rules**

Prior to this meeting, the DOE suggested the following ground rules, which the other parties accepted:

* Treat others with respect
* Do not speak out of turn or interrupt others
* Attack the problem, not each other
* Speak only your own views
* Do not attribute particular statements or positions to others at the table
* Seek opportunities to create shared value and seek mutual gains (\*which may mean exploring options beyond those listed)

The participants have agreed to the following agenda for today’s meeting. You should feel free to make changes to this agenda and move between items as needed. The Minister of the Environment will act as informal chairperson.

**Meeting length:** Approximately 1 hour

**Suggested items and time allocation:**

* Review of ground rules followed by introductions and an overview of each participant’s key concerns (10 minutes)
* Discussion of substantive options (30 minutes)
* Shaping an agreement (exploring packages and compromises) (10 minutes)
* Finalizing an agreement (writing it down and voting) (10 minutes)

As you discuss the various options, look for opportunities to be creative. In each option, look for elements that other parties might value more or less than you and elements that you could trade these for. You may suggest changes to the options (within reason) to make these creative trades possible.

Once an agreement has been drafted, the members of the group will vote on it. The goal is to reach consensus. Ideally this would be a unanimous agreement, but the support of both Country Garden and the DOE will be sufficient for action on an agreement. Both Country Garden and the DOE recognize, though, the potential risks (both financially and reputationally) if they don’t respond to the community’s concerns, and will only consider non-inclusion as a last resort.

**Decisions/options**

**Issue 1: Project form and size**

The DEIA has raised questions about the likely environmental impacts of the reclamation work initiated by Forest City, which currently conceives its project as the development of as many as 700,000 units of housing on a single artificial island. Notably, the island will entirely cover a nationally important area of rare seagrass. DOE has suggested splitting the project into several smaller islands to avoid smothering the seagrass. The project site is constrained by a major port to the north and the Singaporean border to the south, so there is no room to spread out. Splitting the island will therefore reduce the total land area available for development. The exact reduction in size has not yet been determined. Smaller linked islands will create less pressure on mangrove forests along the shore.

* **1a:** Continue with the original plan.
* **1b:** Break the project into 4 islands, reduce total land area by 10%
* **1c:** Break into 4 islands and reduce total land area by 20%
* **1d:** Break into 6 islands and reduce total land area by 50%
* **1e:** Cancel the project

**Issue 2: Hiring practices**

Forest City will create an enormous number of jobs, if development proceeds; first in construction and then in longer term service-oriented roles, which are particularly desirable. Country Garden has made bold claims about how these new jobs will benefit Malaysians, but they have not made specific commitments to hiring locally. Many in the local community have noticed that all of the construction workers appear to be coming from overseas, while the sales staff in Forest City’s gleaming showroom have mostly been flown in from China. Meanwhile, local fishermen have already had their livelihoods disrupted by the land reclamation work and are worried about how they will support their families in the future. (Destruction of coastal mangrove forest is destroying fish breeding grounds). Country Garden is being pressured to make a firm commitment to hire Malaysians, particularly residents of Johor state. Country Garden is wary of giving up too much flexibility by committing to a high target.

* **2a:** Maintain current staffing structure
* **2b:** Commit to hire and train 25% Malaysian for service-oriented work only
* **2c:** Commit to hire and train 50% Malaysian for service-oriented work only
* **2d:** Commit to hire and train 75% Malaysian for service-oriented work and 10% for construction staff
* **2e**: Commit to hire and train 100% Malaysian for service-oriented staff and 50% Malaysian for construction staff

**Issue 3: Golf course**

Country Garden has recently proposed to build a luxury golf course, exclusive villa properties, and hotel several kilometers north of the main Forest City site. They think this will be a draw for foreigners weighing whether or not to buy a second home at Forest City. The golf course, properties, and hotel will also offer another potential source of (low-wage) jobs for local people. However, the proposed site is inside Sungai Pulai, a Johor National Park protected under the international Ramsar convention on wetlands. Constructing the golf course will mean destroying several hundred acres of pristine mangrove forest, a vitally important ecosystem for fish spawning. There are plenty of alternative sites nearby; however, Country Garden prefers the natural beauty of the Sungai Pulai site and argues that alternative sites would be less attractive to customers.

* **3a:** Build golf course and hotel in proposed location
* **3b:** Build golf course and hotel somewhere else.
* **3c:** Do not build golf course and hotel.

**Issue 4: Ongoing monitoring of environmental quality**

The DEIA highlighted the potential scope and magnitude of Forest City development impacts on the surrounding environment. Some impacts are quite definite, others are somewhat uncertain. An important requirement of the DEIA (that will be imposed by Malaysia’s top court) is for Country Garden to establish an environmental management plan to monitor the extent of environmental change over time and implement actions to minimize damage. However, the DEIA does not specify how frequently this monitoring should occur, or what steps should be taken to ensure it is done accurately. Local environmental advocates are adamant that any monitoring carried out by Country Garden should be verified by an independent party.

* **4a:** Monitoring at two times: establishing the current baseline and at project completion
* **4b:** Annual monitoring of key environmental indicators with independent verification
* **4c:** Bi-annual monitoring of key environmental indicators with independent verification
* **4d:** Monthly monitoring with independent verification

**Issue 5: Reclamation Tax to fund regional infrastructure**

The DEIA projected that Forest City will create a need for USD $175 million in “infrastructure improvements” in the area surrounding the project. In Country Garden’s past development projects in China, the government has taken responsibility for installing and upgrading local infrastructure to support whatever Country Garden builds. However, the Minister and the community liaison (along with other local interests) are concerned about the impact of adding up to 700,000 people to the region and financing the urban improvements necessary to support such a population increase. There have even been attention grabbing articles highlighting potential water and electricity shortages in Forest City and Johor as a whole if the development goes forward. The federal government has proposed several possibilities for funding infrastructure improvements: a fee, a project value tax, and revoking Forest City’s duty-free status.

* **5a:** No additional tax and maintenance of the duty-free zone for reclaimed land
* **5b:** $10 million upfront fee and tax of .4% of project value and maintaining the duty-free zone
* **5c:** $40 million upfront payment, no value-added tax, but no duty-free zone
* **5d:** $175 million upfront fee and maintaining the duty-free zone