Second, we in New Zealand have not yet had to face up to some of the difficult economic and moral questions raised by a general desire to reserve endangered species – questions faced by the US over the last 20 years and now raised by the tropical rain-forest controversies. In New Zealand, the protection of endangered species is a specific, not a general issue, and we have not yet begun to assess the costs and benefits.

Third, we the people of New Zealand do however appear to have adopted a common environmental ethic which recognises the value, need and imperative of protecting and preserving species which are unique to New Zealand, and of preserving part of our native forest and bush heritage.

It is necessary for every community to have a common ethic governing its relationship with the natural world. If the community does not have a common environmental ethic, its debates about the environment "will be reduced to a Darwinian struggle of special interest groups, where power, not morality, rules". But there will always be some ongoing debate.

I trust that what I have said has enabled you as foresters to better understand your relationship with the wider community and its concerns about the environment, and that you will contribute actively and meaningfully to that ongoing debate.

Judge Arnold R. Turner, CMG

INTERNATIONAL COMMENT

Impressions of Russia: Pushkino and Khabarovsk

Russia is a country that has always fascinated me, and if column inches in newspapers and magazines and minutes of airtime on radio and TV are a guide to general interest, it is a country that interests a large number of other New Zealanders too. Be it reports of our Prime Minister in Moscow, concerns over some $400 million owed to the Dairy Board for product sent to the former USSR, the visit of the Russian Vice-President Alexander Rutskoi to New Zealand, reports about the machinations of the Russian political system or analysis of the chances that President Boris Yeltsin and his Government will survive, our media is at present full of Russian stories.

With nearly 27 per cent of the world's forest land and more than a quarter of the world's standing timber, the nations of the former USSR, and Russia in particular, are of interest to many involved in the forest industry. Potentially, Russia is an extremely significant component of the international timber economy. This potential could well have an impact upon New Zealand, for Russia is immense, stretching all the way from the Baltic Sea in Europe to our backyard, the Pacific. Last September I was fortunate in having the opportunity of visiting Russia and spending a little over two weeks there. Visiting the country gave me the chance to view its forest potential and to form an opinion as to the challenge that this could pose for a country like New Zealand.

My visit was as a result of an invitation to speak about New Zealand's forest privatisation programme to a IUFRO/All Russia Research Institute of Silviculture and Forestry Mechanisation (VNIILM) co-sponsored conference on integrated sustainable multiple-use forest management under a market system. The conference was held in Pushkino, a town some 30 km north-east of Moscow, from September 6-12. However, conference participants had a number of opportunities to visit Moscow to shop, visit the Kremlin and other sights of the city, and of course to attend the ballet. As well, two field days during the conference gave an opportunity to see the forests and some of the processing plants of the Moscow region. After the conference I was able to further extend my time in Russia, visiting the Russian Far East and in particular the Far East Forestry Research Institute which is based in Khabarovsk.

Wink Sutton look-a-like cuts up clear componentry.

Privatisation

At the conference the Russians showed a great deal of interest in all market-based forest management systems. New Zealand was of particular interest simply because of its separation of production and environmental forestry and our forest privatisation programme. Interest, however, doesn't mean that a Russian forest privatisation programme is imminent. From what was said it was quite clear that privatisation of forests in Russia is still some way off. Just before our conference took place the parliament had rejected a rather modest proposal for farmland privatisation and had then gone into recess for the summer break. Forest privatisation is not very likely before some form of successful farmland privatisation is achieved. In conversation, Russian foresters made the point to me that restructuring of forestry is of lower priority than restructuring of the agricultural sector, simply because of the immediate and rather unpleasant impacts that food shortages have on all sectors of society. (When I was there the forestry sector was in fact awaiting the promulgation of a new basic forestry law, as though this would solve all their problems.)

Potential for Forestry Trade

In the longer term one has to accept that Russian forestry exports could pose quite a challenge to New Zealand, but based on the factories that I saw and the people I spoke with that challenge is some way off. Over the next four or five years Russian harvest and exports are more likely to fall than to increase. My reasons for this conclusion are based not only on the obvious disruption that change has caused but on the shortage of investment funds. This is evident not only in the lack of new investments in modern wood-processing facilities, but also in the potholed roads, decaying buildings, and plant that had been abandoned because spares to repair it could not be obtained. The Russians simply do not have sufficient funds to maintain their existing investments. Within the processing plants that I visited health and safety standards appeared, from a New Zealand perspective, to be rather lax. The accompanying pictures may help reveal some of these points; they can't, however, reveal the noise level in the plant, which was quite deafening.

All of the pictures (including that of the Wink Sutton look-a-like cutting up short clears on the circular saw) were taken at the Solnechnogorst Forest Enterprise which is located about 50 km from the centre of Moscow. The cradle-to-grave protection offered a worker in New Zealand by the welfare state, or the old public service, had nothing on this! Solnechnogorst is a complex of nine forest ranges, eight wood processing shops, a mechanical repair shop, boiler house, kindergarten, canteen, apartments and associated recreational facilities, and a department store. In total some 800 people and their families live and work in the enterprise. The processing unit in these pictures is one of the new commercial enterprises making consumer goods and wooden knick-knacks for the local market.

Commercial Forestry

At the end of our tour we asked if we could buy some of the smaller items as souvenirs. This request revealed two major problems of the new Russia. The first was that the commercial enterprise hadn't expected such a request, so there was a short hiatus while the Russians debated it – as yet, the new commercial enterprise isn't that very commercial. Eventually we were told that we could

Sawing for remanufacture into consumer goods.

purchase items, and that highlighted the second problem – an inflation rate that has made the Russian currency virtually worthless. For most Russians inflation has wiped out the saving of a lifetime in a matter of months. Most items appeared to be ridiculously cheap, even in New Zealand dollar terms! The fruit bowl, shown being manufactured, cost 50 roubles or $NZ0.50 on the day of our visit. Two weeks later when I was leaving the country 50 roubles was worth 45 New Zealand cents and by the middle of March 1993, just six months after I was there, 50 roubles was worth about 15 cents.*

Lack of processing facilities and perhaps the failings of what to an outsider seemed to be a rather chaotic distribution system, were again quite vividly illustrated by the forests of the Moscow region. Here the country is flat to rolling and about 50 per cent wooded. All the forests of this region, some 2.2 million hectares in total, are Group 1 forests, which means that the production of non-wood outputs such as recreation, edible fungi, and environmental protection have priority over timber production. Wood production is limited only to that resulting from health or safety fellings and coups are restricted to something like a maximum size of a quarter of a hectare. Despite this, these forests still produce some 7 million m^3 of wood per annum. However, over a quarter of this just rots to waste. One reason for this wastage is because the material is unsuitable for sawmilling and the Russians do not possess sufficient facilities to process it into either panel or paper products.

From casual observation of the dachas – holiday homes – which it seems every Russian is in the process of building or upgrading out of scavenged materials, and from personal experience with the local loo paper, there is a very obvious unfilled domestic demand for forest products. However, when I was there a very good salary for a Russian would have been $NZ75 per month, and a more usual one about $NZ25 to $30 per month, so an individual's ability to purchase products priced at levels we are used to is limited.

The New Entrepreneurs

Seventy years of a non-market system has left its mark. For many Russians the new classes of entrepreneurial street trader and/or businessman are little better than criminals. (A lot are, and many who are not out-and-out crooks are graduates of the Arthur Daley school of business ethics.) In the past, what was done and who did it were determined by "The Plan". The need for clear property rights and sound commercial law was not always obvious when The Plan dictated what was to be done. Now these things are needed if the country is going to attract capital from overseas – and it is likely that it will be years before the Russians sort out all the problems and develop the nec-

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* Mid June 1993, $US1 = 1000 roubles

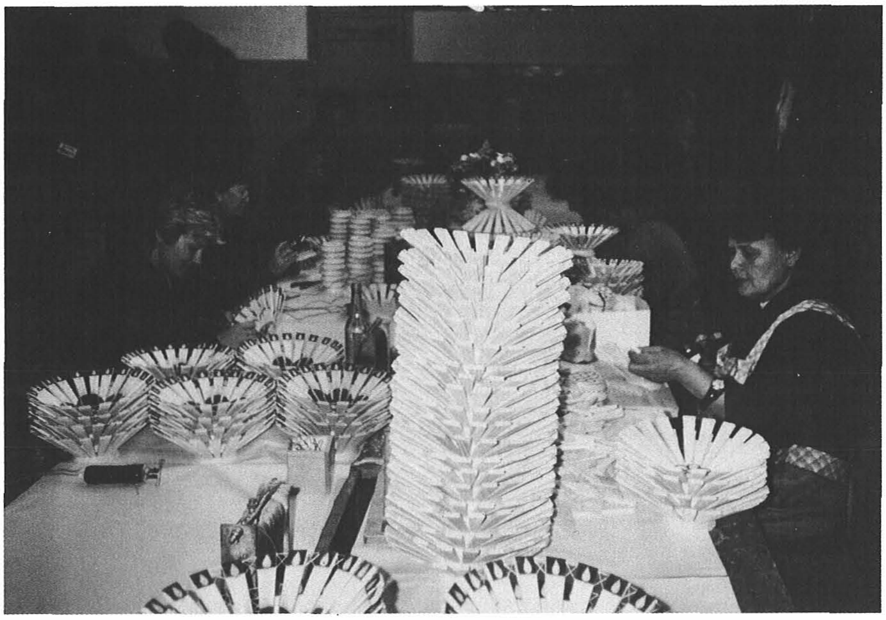
essary legal framework to really operate a market system.

Russian Forest Management

For someone more used to New Zealand radiata pine, the field trips provided a number of rather amusing moments. One such was at a 15-year-old spruce spacing/stocking trial in the Krasnozavodskoye Forest. Initial stockings in this trial ranged from 500 sph to 5000 sph. To a New Zealand eye the growth of the 500 s/ha appeared to be reasonable, but our hosts explained that this stocking was quite unsuitable, because by rotation end, some 65 years hence, branches on the trees would have diameters of 2.5 to 3 cm, making them fit only for use as pulpwood!

Russian Far East

As I mentioned earlier, I also visited the Russian Far East. I flew Aeroflot to Khabarovsk – very definitely a new experience, and although the flight was pleasant I doubt that I will ever forget the in-flight meals. In some ways Khabarovsk seemed to be better off than the Moscow region. There appeared to be more goods in the stores, and evidence of the outside world in the form of joint venture restaurants (Japan/Korea) and ice-cream parlours (USA) seemed to be more obvious than in Moscow – even if Moscow does have one McDonald's and a number of Pizza Huts. It was also my impression that western goods were more readily available to locals in Khabarovsk than in Moscow. Khabarovsk is a base for the Dairy Board's SOVENZ operation and there were also plenty of pre-owned right-hand-drive Japanese imports on the streets to make me feel at home. (Russia, like the rest of Europe, drives on the right-hand side of the road – sometimes!)



Adding value? Final assembly of the wooden fruit bowls.

It would be incorrect to give the impression that the Far East has fewer problems than the rest of Russia. It too clearly has lots. For example, the Far East FRI with a staff of some 400 and research responsibilities for some 270 million hectares of forests was surviving when I was there on an annual budget of $NZ50,000. In the last financial year it had run out of money and staff didn't get paid for three months. (I hope no New Zealand politician ever picks up on this idea as a way of solving our budgetary problems.) Again there was plenty of evidence of problems with maintaining the existing infrastructure, wood-processing plants were in poor repair, and there were quality control problems, etc, etc.

A visitor to the Far East would reach similar conclusions to one visiting Moscow. It is clear that the Russians do not have the investment money that will be needed if forestry is to fully realise its potential. While the potential foreign investors in the Far East and the markets for the output of those investments may be different from those in the West, it is also just as unlikely that foreign organisations will invest significantly in long-term ventures such as forestry in the Far East until questions of ownership, etc, are resolved.

There are a lot of other things one could say about Russia. Religion is back in in a big way with churches being refurbished and services packed with people of all ages. And yes, they do drink prodigious amounts of vodka – catering for a dinner seems to involve having a minimum of one bottle of vodka per person. Shopping can be a nightmare; the Michael Palin experience shown on his "Pole to Pole" TV series was accurate. One must queue to find the price, then join another

Retail shop display of knick-knacks produced by the enterprise.

queue to pay for the goods and finally a third queue to pick up the goods. Woe betide you if, after having begun this odyssey, you change your mind about even the most minor point, because any change is likely to result in your having to repeat the whole process. Our group experienced the system when we decided to buy bread in Moscow. After getting two-thirds of the process right we mistakenly joined the bun rather than the bread queue and nearly ended up having to repeat the whole process all over. Making even a very simple purchase, such as a loaf of bread, can take three-quarters of an hour.

Despite all the problems, the Russians themselves, at least the ones I met, were lovely people – open, friendly, and eager to show off their country and its achievements, many of which had involved great sacrifice on the part of individual Russians. Because of this Russia was/is a fascinating country to visit. The changes of the last few years are nothing short of a revolution. At present this revolution has made just day-to-day living very difficult for the ordinary person. It is by no means certain that the reforms will improve people's living standards in a sufficiently short space of time to avoid the dangers of a counter revolution.

In spite of all its forest resources, I do not believe that Russian forestry poses any challenge to New Zealand forest exports, – or perhaps more accurately, I believe that even if the reforms succeed it will be some time before Russian forest products will be capable of posing a challenge. To achieve its undoubted potential, Russia must face and overcome a huge number of problems. Until this happens Russian potential will remain just that ... potential, and the country, while fascinating to visit, one of insurmountable opportunity.

Gerard P. Horgan
NZ FRI, Rotorua

A personal view on China

From March 20 to April 5 this year, I was fortunate enough to visit China as part of a forestry cooperation agreement held between the Chinese and New Zealand Ministries of Forestry. Also on the trip were three Forest Research Institute scientists and a representative from the Ministry of Forestry's Market Development Group. The purpose of the visit was to exchange information and technology on the processing of fast-growing softwoods, particularly with reference to timber grading, drying and processing plants. We spent time in Shanghai, Nanjing and Beijing and were able to meet some importers of New Zealand radiata pine as well as see a number of processing facilities and research institutes.

The Chinese Economy

When visiting China there are many obvious signs of growth. In Shanghai, the whole city appears to be being rebuilt with numerous piles of rubble spewing from demolished buildings as new housing and public works are constructed. Some of our group commented that it looked like Dresden post bombing and now being rebuilt.

Last year the economy of Shanghai grew at more than 14 per cent and similar growth is forecast for the next three years. (Unofficial estimates put private sector growth at 50 per cent.) The growth rate for the whole of China was 12.8 per cent with the highest rates of growth in the southern provinces of Guangdong and Fujian. At the National People's Congress in March a target of 8 per cent growth in GNP, an increase in exports of 11.8 per cent and an increase in imports of 11.7 per cent was set for 1993, though Vice Premier Zou noted these goals as being conservative.

Tiananmen Square, Beijing.

The IMF has recently devised an alternative method to GDP for estimating the size of an economy known as purchasing power parity. Under this method, national output is determined by the goods and services a country's currency will buy at home, compared with the purchasing power of other countries' currencies. The traditional gauge valued a country's goods and services in dollars, using international exchange rates. Using thir technique China's economy is estimated to be more than four times larger than previously measured (increasing from $US400 billion to $US1700 billion). This makes China the world's third-largest economy (previously tenth) behind the United States and Japan. The IMF also estimates that the combined economies of China, Hong Kong and Taiwan will be larger than that of the United States in less than 10 years, and predicts that China could well be the world's largest economy by 2010.

Foreign Investment

Investment by foreigners, wanting a share of this phenomenal growth, is very obvious. Travelling into the city centre from Shanghai airport the Siemens factory (a German company specialising in home appliances and mobile telephones) is very conspicuous. The dominant cars are Volkswagen and Audi who have set up joint ventures in China. The numerous taxis are very obviously of Daihatsu origin. Bennetton and Stefanal (both comparatively expensive worldwide clothing chains) are present in both Shanghai and Beijing. It is worth noting that a Bennetton store opened in Wellington a number of years ago but subsequently closed. A flashy pink department store in Shanghai's Nanjing road is a joint venture between a Hong Kong company and the Chinese. We also consumed wine on a number of occasions that was the product of a joint venture with a French company. Chinese are apparently embracing the opportunity of making money, as evidenced by the crowds constantly outside the recently opened Shanghai stock exchange, which has reportedly produced many "overnight" millionaires.

All Chinese seem extremely enthusiastic about the idea of joint ventures with foreign partners. Usually, after exchang-