

## International Negotiations

There are a number of conventions in international circles such as the Framework Convention on Climate Change, and Convention on Biological Diversity to which New Zealand is a signatory party. Discussion has also been proceeding on establishing an international Convention on Forestry, but progress has been delayed recently in favour of progressing work in other areas such as developing criteria and indicators for sustainable forest management. Nevertheless it is highly likely that within a period of some five years a forestry convention will be negotiated, which will be binding on signatory countries, and could have a major influence on international forestry trade.

It is particularly important for New Zealand to ensure that its position on forestry is well represented in any discussions on a convention or any preparatory negotiations that precede it.

To this end, it is interesting to note the change in approach that was highlighted in this column in the May issue, where New Zealand's forestry ambassadors are now taking a broader approach to New Zealand's forestry. The NZ Forest Industries Council is also beginning to take the message abroad that New Zealand forestry is more than just plantation forestry, which is viewed as unsustainable forestry

## Otago-Southland 19th Annual Study Trip Tramp

Tentative arrangements have been made for the 1998 tramp to the South East Coast of Stewart Island. The plan is to travel by launch from Bluff to Big Kuri Bay (a delightful spot) on Thursday, February 12 and then to tramp through untracked virgin podocarp forest to Toitoe Flats, on to Table Hill on the Tin Range, and then on to Freds Camp on the SW arm of Paterson Inlet where a launch will transport the party back to Bluff on Monday, February 16.

The forest along the coast to Toitoe Flats (the writer is familiar with) belongs to the Rakiura Maoris and permission has been obtained to tramp through it. Kiwis are plentiful in this area and most likely they will be seen during daytime tramping.

An invitation is extended to members throughout New Zealand to join this visit to an interesting remote part of Stewart Island. However, because only two launch operators are permitted in this area and February is a busy season for them we would need to know final numbers participating by the end of November to enable firm bookings to be made. One launch takes 12 people and the other 22. Numbers may need to be limited. Therefore bookings could be on a first-come first-served basis.

For further information and bookings please contact:

Jim Smith  
86 Glenpark Avenue  
DUNEDIN  
Ph (03) 453 5143

in some parts of the world. By highlighting New Zealand's forest diversity it is hoped that countries abroad will become more aware of the total forest matrix in

New Zealand, and the role that plantations play within that matrix.

**Tim Thorpe**

# The Russian Far East in perspective

## Background

A country of vast proportions, resources and potential, Russia has 57 per cent of the world's timber resource of 107 billion cubic metres, compared to North America with 28 billion cubic metres (see Table 1). The estimated allowable cut is 500 million cubic metres per annum.

**Table 1: World Timber Supply**  
(Source: FAO)

Country	Standing Volume
Russia	57%
Canada	14%
USA	12%
Europe	9%
Other	8%
Total	100%

All of Russia east of the Ural Mountains represents an immense area of forested land. The Russian Far East (RFE) is currently of particular interest. It not

only has some of the more productive forest, it has major seaports around Vladivostok, an east-west railroad, and is the Russian gateway to the Pacific Rim.

The total area of the Russian Far East is 6.63 million square kilometres or 40 per cent of the Russian Federation. The population is 9.2 million people (1.4 people per square kilometre). Forests cover 45 per cent of the territory and the region is rich in natural resources.

To the Russians, Siberia and the Russian Far East represent a mix between eastern-block European countries and the rapidly developing Asian region. Eastern Russia was one of the last regions to be settled, like the West Coast of the United States. It is the gateway to Siberia and the Russian Far East. Forty per cent of Russia's imports come through the eastern seaports (including Nakhodka and Olga).

Vladivostok is the port gateway to the Russian Far East and has an infectious energy and transience about it with the comings and goings of a huge maritime and military naval fleet. Khabarovsk is further inland, one day's journey from Vladivostok and the start of the trans

**David Neal, formerly General Manager, Evergreen Forests Ltd, travelled to the Russian Far East on a visit organised by the Ministry of Forestry in August 1996. David was the recipient of the 1996 Chavasse Travel Award administered by the NZIF and on his return to New Zealand provided this article for New Zealand Forestry. David's full report is available from the NZIF Secretariat.**

Siberian railway, and it considers itself the capital or administration centre of the Russian Far East.

The Russian Far East forests are a highly variable resource in size, species and quality (see Tables 2 and 3). This contrasts markedly with the situation in New Zealand but provides for marketing diversity and well-differentiated products. A high level of multiple use of forests such as collecting mushrooms, nuts and berries, hunting and fishing has led to high conservation pressures.

**Table 2: Russian Far East Forest Resources**

	<b>Russian Far East (million acres)</b>	<b>Share of Total Russia</b>
Total forest land area	873	46%
Understocked stands	132	95%
Reserved (inaccessible) forest land	275	51%
Non-industrial (protected) forest land	162	60%
Clear cuts	6	31%
Forest plantations	1	3%
Available for harvesting	273	30%
Total growing stock (trillion board feet)	5.1	29%
Mature and over mature (trillion board feet)	3.3	30%
Mean growing stock of mature and over mature stands (million board feet*/acre)	10	--

Source: Krankina, Olga., Ethington, R.L., Forest Products Journal, Vol 45, No 10

**Table 3: Distribution of Forest Resources in the Russian Far East  
(Listed by Dominant Tree Species)**

	<b>Forest Area (million acres)</b>	<b>Forest Area (%)</b>	<b>Growing Stock (Billion BF)</b>	<b>Mean Growing Stock (MBF/acre)</b>	<b>Mean Growing Stock (m<sup>3</sup>/ha)*</b>
Larch	417.0	78%	3,310	7.9	58.6
Spruce	33.7	6%	620	18.4	136.6
Scotch Pine	29.7	6%	318	10.7	79.4
Korean Pine	8.5	2%	193	22.7	168.5
White Birch	28.6	5%	181	6.3	27.9
Oak	7.5	1%	67	8.8	65.3
Fir	4.5	1%	75	16.6	123.2
Basswood	1.9	0%	29	15.7	116.6
Poplar/Aspen	1.8	0%	28	15.1	112.1
Ash	1.0	0%	29	15.7	116.6
<b>Total</b>	<b>534.2</b>	<b>100%</b>	<b>4,850</b>	<b>9.1</b>	<b>67.6</b>

Source: Krankina, Olga., Ethington, R.L., Forest Products Journal, Vol 45, No. 10

\*NB: 1MBF/acre = 1,000BF/acre = 7.424 m<sup>3</sup>/ha

### Economy

Russia is undergoing huge reforms from a blind production economy to a market-sensitive economy with all the change and uncertainty that brings to people and their lives. Visiting Russia gives some perspective on the road New Zealand has been on in the last decade. It takes six months to get a phone connected in Russia. How long ago was that the case in New Zealand? Not long.

My view is that once the Government lets the market work, reduces and flattens the tax structure the Russian people will

have the incentive in addition to the skills and motivation to grow the economy.

During our visit the exchange rate was about \$US1 to 5280 rubles. In the 1980s the official exchange rate was one ruble to one pound sterling, so the currency has undergone and is continuing to undergo a huge depreciation.

Personal taxes range from 54 per cent to 86 per cent officially. Most territories have in excess of 50 taxes and have a heavy administrative burden. Company taxes are close to and in some cases greater than 100 per cent of a company's

profits. Not surprisingly there is a huge black market, with many employees receiving unofficial benefits to avoid taxes.

Title to land cannot be obtained as the Central Government still owns and controls the land. Leases can be obtained on land, but this is uncommon.

The territorial regions, such as the Primorski Krai, have a relative level of independence, which seems to increase with the distance from Moscow. However, this is tolerated to a point until full independence is sought, as in Chechnya.

Personal safety is an issue for business people in Russia. Typically, most business people will hire an assistant or pay protection money 'insurance' to one of the Mafia-style gangs that control the local protection market.

Foreigners are still regarded as spies and suspicious. Even today visas and passports have to be registered with the local police through the hotel that foreigners stay in. There are periodic check points on most main roads and people are regularly stopped by police to be checked that papers are in order.

### Harvesting

There is an estimated 21 billion cubic metres of timber resources in the Russian Far East. The most productive and accessible territories within the Russian Far East are Khabarovsk, Primorski, Amur and Sakhalin Island.

Harvest levels have reduced over the last few years, as is indicated in Table 4.

The reduced harvest levels are due to weak internal demand from the contracting Russian economy, increasing rail freight for more longer lead distances, and lack of finance for machinery and equipment.

The forest harvest stumpage cost is around \$US1 per cubic metre (essentially free), and generally the workforce is well educated with wages around \$US100-\$250 per month.

There is a lot of potential to improve harvesting efficiency by using production incentives and better logistics planning. Wages are often paid six months late. Fuel and spare parts shortages are common.

The logistic planning in the Khabarovsk Krai can be frustrating, to say the least. Nothing happens on time, in the Arctic winters there are fuel shortages and in September (autumn) there are monsoons that make any roads impassable.

A harvesting operation in the Primorski Krai region was visited. In this area logs are transported by truck up to 250 km from the port of Olga. Trucks will carry on average 15 cubic metres per load, which weighs about 12 tonnes (conversion of 0.80 cubic metres per tonne).

The average price received for logs in this region was \$US120/JAS and freight

**Table 4: Russian Wood Supply**

<b>Wood Product Category</b>	<b>1988</b>	<b>1994</b>	<b>Decline</b>
Log Harvest (m <sup>3</sup> )	354	118	66%
Lumber Production (m <sup>3</sup> )	85	28	67%
Lumber Exports (m <sup>3</sup> )	10	6	40%
Log Exports (m <sup>3</sup> )	20	8	60%

Source: Widmans, World Wood Review, Feb '96

costs to Japan from Olga were \$US25/JAS.

Natural regeneration is the most common way of restocking harvest sites. Two-thirds of the Russian Far East is on permanently frozen soil. Growth rates for larch range from 0.5-1.5 cubic metres per hectare per annum.

We did see a US-sponsored nursery project in the Khabarovsk Krai that was growing larch (*Larix dahurica*) for a cost of 1000 rubles (\$US0.20) per seedling. Planting stockings were high at 3000 stems per hectare.

### Russian Competition in Asian Markets

Russia has increased log and lumber exports to Japan, while other exporters' volumes are flat to falling. Russia currently supplies about 17 per cent of Japan's log and lumber imports or more than double the amount supplied from New Zealand and Chile (see Table 5).

Table 5: Japan Log and Lumber Imports

Country	1994	1996 (estimate)	% Change
Southseas	8.2	8.3	+1%
USA	14.8	14.5	-2%
Russia	4.9	5.3	+8%
NZ/Chile	2.4	2.3	-4%
Total	30.3	30.4	0%

Source: Japan Lumber Journal 20/7/95 and 31/12/95

In my view supply of Russian logs onto the market will continue to increase in the future, in spite of increasing domestic demand, because it is a cheap resource, close to Asian markets and the Russians badly need foreign exchange.

By comparison with New Zealand forest growers, the Russians in effect have an additional estimated \$US40 per cubic metre to spend on extraction and transport to arrive at the same delivered price as New Zealand into the Asian markets.

This is made up of \$US10 per cubic



A fire engine made from a converted tank.

metre freight cost advantage because of their closeness to Asian ports, with stumpages around \$US30 per cubic metre cheaper than New Zealand's.

Vladivostok, the only year-round Russian Far Eastern ice-free seaport, is closer to Australia than Moscow. The total delivered price of logs from Krasnoyarsk, 3200 km from Vladivostok, has increased 1 per cent to \$US109 per cubic metre c.i.f. over the last three years, and shorter distances have reduced by 6 per cent. This has been due to a more commercial approach by the railways, reflecting more accurately the higher costs of greater transport distances.

### How Long Will The Bear Sleep?

My expectation prior to going to the Russ-

ian Far East was that although there was a lot of forest resource, it comprised small, low-quality logs which were costly and difficult to extract.

My impression, having visited only a small portion of it, is that the Russian Far East's forest resource variability in species, size and quality is in fact an opportunity waiting to hatch.

It is interesting to note that although the forest resources in Russia are known worldwide as vast, world markets have not generally viewed these resources as very available. It seems inevitable that Russia will increasingly choose to use its forest resources.

Russia in my view could triple its exports to Japan. The reason that this isn't happening at present is because the economic reforms still have a way to go to provide the right individual productivity and efficiency incentives.

A significant increase in exports from Russia to Japan will delay and/or offset moves to increase volumes of radiata pine into Asian markets. Recent market observations have suggested larch has already displaced hemlock and radiata pine in some Asian markets.

The timing of the competitive threat of Russia into Asian markets essentially gets down to the timing of the economic reforms. My guess is that there is a 40 per cent probability of this occurring in the next 10 years and a 80 per cent probability of it happening in the next 20.

In my view Russia will eventually become the Canada of the Western Pacific with its cheap forest and energy resources. However, foreign investment is essential before this will occur. The timing of the



Larch, 25 years old, 16 m tall, with 18 cm DBH.

transition to a market economy that can give enough security to foreign investors is uncertain. The signal for large-scale foreign investment will probably be when title can be gained for purchasing land. Foreign investors will in my view want this level of security to invest on a large scale.

There is concern in Russia, as in other parts of the world, that in the rush to bolster the economy by converting the forest resources, the environmental impacts of that conversion will be ignored. Past practices have left something to be desired in the way of environmental protection, and isolated incidents may occur in the future. But there is an awareness within Russia that is likely to foster policies and regulations that keep environmental damage in check.

Additionally, the environmental impacts of expanded wood harvesting can be offset by the introduction of environmentally-sensitive logging and wood-processing technology as well as by adequate reforestation. As the United States and other developed nations look to utilise the timber supplies in the Russian Far East and further west, it will be incumbent on these nations to assist with the logistics and environmentally-sensitive use of the Russian resource.

## Fire

In 1996 in Russia 1.4 million hectares of forest was damaged by forest fires and 492,000 hectares of this was entirely destroyed.

A lightning radar monitoring system modified from its military uses is used to detect potential hot spots. Satellites are then used to find and monitor forest fires and hot spots. Information through the US meteorological service is also used in fire control and updated every four hours.



The Russian forest resource yields a wide range of species (pines, spruce, larch, aspen, oak), size and quality.

In the Primorski Krai 50,000 hectares of forest was burnt with fires in 1996 and 60-70 per cent of the fires were caused by people. The remainder are mainly caused by lightning in the more isolated areas.

The Khabarovsk Krai fire fighters stop 44 per cent of fires that they attempt to put out. Fifty-six million hectares of forest is covered with a staff of 600 through 23 air bases. In 1996 in this region 120,000 hectares was lost to fire; the normal average is around 30,000-40,000 hectares per annum. Forests in the northern area have regular fires and are generally left to burn.

## Asian Gypsy Moth (AGM)

Asian Gypsy Moth is prevalent in the evening at all the ports we visited to the extent that they were actually landing on us. On the face of it, it would seem to a layman that it will be extremely difficult

to stop egg masses eventually arriving in New Zealand. This is especially true given the high population levels of AGM in the Russian Far East, and the level of shipping and trade in the Pacific Rim.

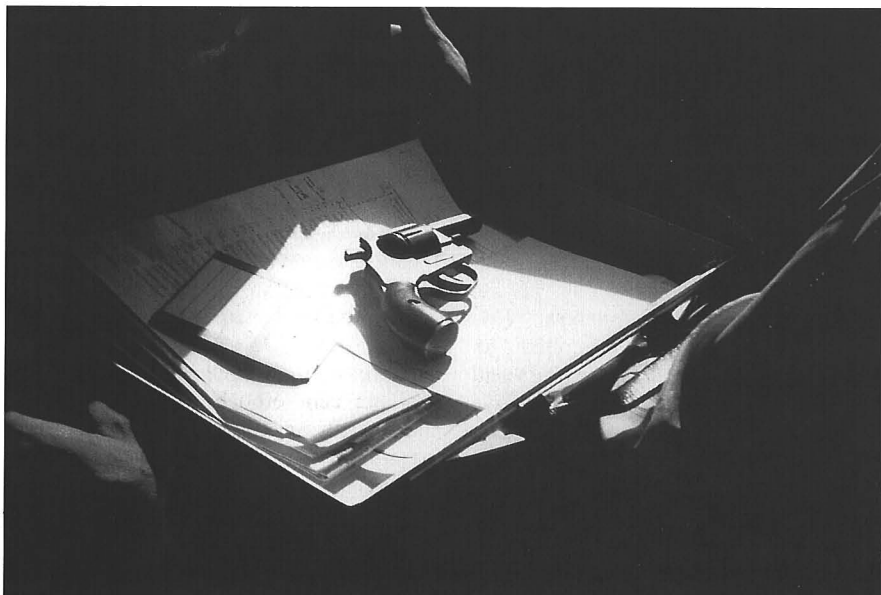
AGM is not the only threat to Siberia's forests, and the Russian Forestry Service is currently spending around \$US5 million on combating Siberian Silkworm. Representatives from the Federal Forest Service based in Moscow said that the country loses about two million hectares per year to insects and pests. They have 1200 people to protect the country from these threats.

## Comment

The message I have taken from the trip to Russia is that radiata is substitutable. New Zealand radiata pine growers do have competitors with potential, and to get the most value out of our forest resource there is no room for complacency or misguided optimism that borders on selective blindness.

New Zealand does not, as has been stated elsewhere, grow trees faster and better than anywhere in the world. There are better locations and species with higher growth rates. Even the claim to knowing how to grow trees faster and better than anywhere in the world is tempered by the fact that technology can be and is being transferred extremely rapidly.

Then what is New Zealand's forestry competitive advantage? New Zealand is a long way from its markets in more ways than just distance and doesn't have a cheap resource. The challenge as I see it for the New Zealand forestry industry is to open its eyes honestly (warts and all) to what the market is telling us about radiata pine and respond with some commercial commonsense.



Taking care of business, with briefcase, papers, computer disk and revolver.