

U.S.-JAPANESE COOPERATION IN THE RESOURCES SECTOR¹

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In addressing the issues of U.S.-Japan cooperation, specifically in the natural resources sector, I will first make some general comments about some of the overarching issues we need to discuss and then move into some specific examples and opportunities for cooperation in this sector.

“Sustainable” Development

What do we mean by “sustainable development,” as opposed to simply economic development? It is an important question to keep in mind. It is certainly worthwhile to talk about simply economic cooperation between the United States and Japan in the Russian Far East. If we are simply going to do that, let us not fool ourselves by adding the word “sustainable” and instead talk about economic growth in the region. Promoting sustainable development requires a very conscious, up-front, and proactive approach. We need to consistently and constantly keep in mind some of the issues involved in sustainable development and make sure that we are making the right choices and on the right paths and promoting ideas of sustainability. My ideas of sustainability include such things as strict environmental standards for resource development projects, local economic benefits—the human sustainability factor we discussed yesterday, and in the Russian Far East context, decreasing reliance on raw material exports. There is the connected issue of local processing. How realistic is it in the short term versus the long term? In the long term we cannot talk about sustainable development in the region without discussing a decreasing reliance on raw material exports. I will also include strong public participation in the definition of “sustainable development.” This touches on some of the issues of democratization, to which many people here are committed.

International Cooperation

What is the role of the United States and Japan in assisting the Russian Far East in moving along the path of sustainable development? Indeed, it is rather strange that the United States is involved in some of these issues because the United States itself does not necessarily have a great history of sustainability or sustainable development within our own country. That is a piece of information we should keep in mind. When we talk about international projects in the region, sometimes people come into the discussion with the attitude “Let’s teach the people in the Russian Far East how to do sustainable development,” when we do not necessarily have the answers ourselves. For example, some people consider that U.S. timber companies are going to be more sustainable than other countries’ timber companies if they are working in the Russian Far East. There are a lot of people working in the environmental field in the United States who would disagree with that characterization of the U.S. timber industry. We have certainly seen a lot of problems with forestry management inside the United States. There are also

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questions about forestry management in Japan. We need to keep this in mind when we go into the Russian Far East.

There are some opportunities in the Russian Far East to learn from the mistakes we have made elsewhere, to learn from the mistakes we have made in development in the United States, in Japan, and elsewhere. One of the great things about the Russian Far East is that it still has the resources and large-scale territory that are some of the necessary components of a sustainable development strategy. Maybe we can learn from our mistakes and people in the Russian Far East can learn from our mistakes and learn why those mistakes were made. They will have to choose their path, to develop their resources in a somewhat more sustainable manner.

We also have to look at ourselves, what is going on in our own countries that are driving the resource development and, right now, unsustainable resource development in the Russian Far East. That means, first and foremost, looking at our own consumption patterns within the United States and Japan and whether or not those patterns are at levels compatible with the uses of the resources in the Russian Far East. We also talked yesterday about the potential use of consumption patterns and especially the use of markets in the United States and Japan in order to promote sustainable development in the Russian Far East. That is the flip side of the coin. On the one hand, many people within the environmental movement would argue that the consumption rates in the United States and Japan are right now far too high to be compatible with sustainable development and that we need to aim for an overall reduction in consumption, especially in the use of timber resources and wood products in these two countries. The United States is the world's largest consumer of these resources and Japan is the largest importer of wood products. The other side of the coin is that we can use these market issues and consumption issues to change the way resource management is done in the Russian Far East. If we want to encourage more sustainable forestry, we can promote market alternatives where consumers specifically choose sustainably harvested wood products. Sustainably harvested fish products would be another example. There is a scheme now being developed along the lines of certification work that I discussed yesterday. So, there are some opportunities as far as market issues are concerned.

There are also some domestic reasons, both in the United States and Japan, why this is necessary. I want to discuss one example in Japan. There have actually been efforts there in the last couple of years, especially within the Ministry of Agriculture, Forestry, and Fisheries (MAFF), to revitalize the domestic forest industry. This is because Japan is in the awkward position where for a small landowner who owns a small track of forest—oftentimes these are plantation forests that were planted after the war—it is no longer economical to manage these forests because of the import of wood products from other parts of the world. This creates an environmental problem because in these plantation forests one needs to do some management activity, some thinning of forests and so on. So, this presents an opportunity for Japan to be increasing domestic forestry in order to reduce Japan's current dependence on imported timber. There are some interesting alliances, between NGOs active in forest issues, government agencies such as MAFF, and the local forestry unions. I hope they will develop in time.

Moving to issues that touch directly on the Russian Far East, I would like to talk about some overarching issues. I already talked about illegal trade and illegal resource use. Resolving these issues is an absolutely necessary condition for achieving

sustainable development of resources in the Far East. Sustainable development requires the rule of law and compliance with various environmental and other regulations in the region. One of the questions we should pose is how to promote greater rule of law. Activities inside the Russian Far East, especially in the resource development sector may relate to government-sponsored anti-corruption programs, through AID support to combat illegal logging activities in the Russian Far East. Multilateral institutions may also be involved in these efforts, where Japan can play a larger role because it does not conflict with its restrictions on ODA (official development assistance) in the Russian Far East. We can use mechanisms such as the World Bank and the IMF to help promote the reform in the natural resources sectors and greater rule of law.

There have been some very important international aid programs to the Russian Far East, to promote specifically environmental sustainability. Especially the United States has been a leader in that, through a variety of programs as we heard this morning. The programs nonetheless are relatively small in scope, especially when compared to the large-scale financing programs that support resource development activities in the region, some of the political risk insurance programs, the direct financing programs, and so on. While those programs have very important filters that help to prevent the implementation of environmentally destructive projects, one of the reforms that will be useful in this kind of financing is for these financing agencies to proactively target environmentally beneficial programs, that is, for them to seek those potential programs in the region where they could provide key financing and that would specifically promote more sustainable natural resource use in the region. This will be a wonderful opportunity for international agencies, be they OPEC, the U.S. Export-Import Bank, or the Japan Bank of International Cooperation.

Yesterday we also talked about ensuring local benefits of the natural resource use and addressed such issues as capital flight from Russia in the resource sector. I also suggest that this offers certain research opportunities that we can take advantage of, in terms of looking at what are the necessary local benefits from natural resource use in the region. For example, there have been many activities geared toward the promotion of sustainable forestry management in areas such as the Sikhote-Alin Mountain Range, which extends between Primorskiy and southern Khabarovsk regions. Despite some very large-scale activities to promote sustainable resource use, there has not yet been a study that shows the employment needs for the region, especially for the forest-dependent villages. For example, in a given timber-dependent or forest-dependent village, we need to assess the number of currently unemployed workers that need to be employed through, ideally, a diversity of industries involving non-timber forest products and eco-tourism, and including the timber industry as well. Such a study will help us better assess the exact needs of the region, rather than looking at the region based on its potential resource base or how much can be exported. We would rather look at the region in terms of what the region itself needs for sustainable development. How many resources does it need to develop for people to have a healthy and wealthy lifestyle within the region?

Encouraging civic society and participation is another issue. There have been some very important efforts, especially by the U.S. government in promoting public participation and democratization efforts, particularly in supporting the development of NGOs in the region. Nonetheless, as we heard yesterday, there is as yet a lack of understanding of the various roles that an NGO sector can play in society versus an

industry sector and a government sector. There need to be continuing efforts by all parties involved, the NGOs, industry, government, and foreign governments such as the United States and Japan, to help promote the idea of healthy public participation that is key to underpinning sustainable development. We need to pay particular attention to the growing level of harassment of environmental organizations within Russia, including in the Russian Far East. Especially within the last few months we have seen growing harassment of environmental organizations. It is not clear whether that will continue now that the presidential elections are over. We are certainly hopeful that it will end and we welcome a strong leader in President Putin, who is committed to democratic principles. Nonetheless the concern remains and I hope we can work together both to draw public attention, including international attention, to this harassment and to help find ways to encourage public participation and stop harassment of public initiatives in the future.

Specific Projects

Professor Schreurs did a fine job in describing some of the projects underway in Japan and in the United States to promote environmental conservation or sustainable development measures. I want to add a couple of brief notes. One is regarding the “Hotspots Project” of *the Friends of the Earth, Japan*. I have one of their latest publications, which is a portfolio of ten different proposals from around the Russian Far East on how to implement the “Hotspots Project.” The other project that was briefly discussed earlier is the project by the Okamoto International Affairs Research Institute and the Virtual Foundation of Japan to promote sustainable development within the Samarga River Watershed. In this case, the Japanese organizations involved are working together with an indigenous community in the Samarga River Watershed, which is located in the northern part of Primorskiy region, to promote a model sustainable development project. It will at first involve eco-tourism but hopefully developing in the future to involve also non-timber forest products and potentially the development of salmon resources in the Samarga River Watershed. This project specifically offers good opportunities because the Japanese organizations involved have already started to partner with the Dai-Ichi Consumers’ Group in Japan. This is important in terms of markets. By working with the Dai-Ichi Consumers’ Group, the Japanese groups involved can help ensure a market for the eco-tourism and non-timber forest products and salmon fisheries products coming from the Samarga River Watershed. The project has definite potentials for success in showing that at least in one specific model territory there can be some very positive Japanese-U.S.-Russian cooperation in sustainable development. Open access to information is an underpinning of that project, and the people involved in that project are truly trying to promote open information exchange between people in Russia, Japan, and the United States. This is extremely important. We will see how the translation works on the web. It is not machine- or computer-generated translation. I hope it will be a way for grassroots people, especially in the United States and Japan, to get involved in learning about some of the issues that affect the Russian Far East. Please visit their webpage (sbpark.com) and participate in the discussion.

I want to mention another project that has not been mentioned so far. The Wild Salmon Center, a non-profit based in Portland, Oregon, is working on a research project that had its beginnings at Oregon State University through its Center for the Analysis of Environmental Change, to look at the status and condition of salmon populations

throughout the North Pacific. Some of our writers have suggested that the way to define the Pacific Northwest is by the range of salmon habitat. I would argue that the same definition could be attached to the entire North Pacific. And indeed that is what this project is aiming to do, to put together an atlas of the condition of salmon stocks throughout the Pacific Northwest of the United States, Canada, Alaska, the Russian Far East, and Japan. The atlas of this project is scheduled for publication at the beginning of 2001. We look forward to seeing some very interesting results. Certainly in the United States there has been some significant degradation of wild salmon stocks, essentially south-to-north degradation. Many of the salmon stocks in California and now in the Pacific Northwest are coming under the protection of the Endangered Species Act. We are also beginning to see a similar kind of south-to-north degradation on the other side of the Pacific. We can see some of that in the research being undertaken by the Wild Salmon Center. Salmon can perhaps become a slightly better symbol of what unites us, rather than the Siberian tiger, because the salmon truly do range throughout the North Pacific and that is one thing that bonds us together, not only in the environmental sense but in the economic sense as well.

NGO and Public Participation in Sakhalin Projects

Let me now discuss NGO and public participation on the Sakhalin projects. Of concern to us is that unfortunately when public organizations, especially environmental organizations raise concerns about the projects, even if those are technical concerns about various standards that are being used, they are often characterized with a broad brush as being against the Sakhalin oil and gas projects. That is certainly not the case for a large number of environmental groups that are involved in monitoring Sakhalin oil and gas issues. I can certainly speak for my own organization. We have never publicly come out against the Sakhalin oil and gas development projects. We certainly recognize that not going ahead with the projects would result in a slowdown of economic growth in the Russian Far East. Many other organizations are concerned about the legality of the projects and want to make sure that the projects are fully in compliance with Russian law. I certainly think that is a valid concern that we need to keep in mind. Let us be careful in not characterizing people who raise those concerns as anti-development or anti-oil. If we can get beyond that, we can show that NGOs can play a very constructive role in ensuring that these projects are developed in a more sustainable manner with strict environmental standards.

The Drilling Mud Issue

Let me now turn to the issue of drilling mud. It is my hope that drilling mud will not be the make-or-break issue, for whether or not the Sakhalin projects, particularly the Sakhalin-1 project, will move forward. I do not believe it should be a major make-or-break issue, although it is looking more and more that that might be the case. An important component to sustainable development in the region is ensuring strict environmental standards, making sure that we are using the best available technology. In my opinion, we would require of our American or Japanese companies working in the Russian Far East the same standards if they were developing a project in our own waters or on our own land. If we move away from that understanding, then we will be promoting what is essentially a race to the bottom in environmental standards as

companies race around the world in search of countries with weaker environmental standards that would allow them to implement projects in a less expensive fashion. That is of special importance when public funds are involved in projects, as in the case of the Sakhalin developments. It is important to ensure that when our companies go abroad to areas like the Russian Far East, they meet the same standards they would have to here, although within U.S. waters we do not have a situation that is exactly analogous to the Sakhalin shelf.

From my discussions with people in U.S. federal and state agencies that work on oil issues, I am convinced that if we were to have a similar project within U.S. waters, we would absolutely require that they meet a zero-discharge standard. Zero discharge has become the industry standard, the best industry practice, and ideally companies should commit themselves to the re-injection of the wastes into the field itself. Exxon, in the case of the Sakhalin-1 project, certainly has the resources and the know-how to be able to implement a zero-discharge standard. Will it make the project more expensive? Absolutely it will. But if we are committed to sustainable development in the region, we should be willing to make that commitment, to ensure that that standard is met. Especially when we are talking about areas such as the northeastern Sakhalin shelf, that is important for the region's fisheries economy.

Oil Spill Prevention and Response

The issue of oil spill prevention and response is especially an area where we can see strong U.S.-Japanese cooperation to improve oil spill prevention and response standards within the region. We heard yesterday that there has been a great deal of concern, even fear, in Hokkaido about the potential environmental impacts of development of the Sakhalin fields. Primarily and very naturally this fear is based on the threat of an oil spill emanating either from the field or, more likely, from a tanker that might be leaving Sakhalin waters or transiting through areas like the La Perouse Strait between Sakhalin and Hokkaido. A tanker may lose power and come up against some rocks, and this may lead to a major oil spill. As much as we would like to assure ourselves that this could never happen, it does happen and we need to be prepared to respond to it. We need to make sure that all the mechanisms are in place to prevent these spills from occurring in the first place. Certainly after our experiences in the United States with the *Exxon Valdez* spill ten years ago, with the new *Carissa* spill about a year ago off the Pacific Northwest, and Japan with the *Nakhodka* spill of 1997, we certainly can learn from our mistakes and implement these procedures.

These concerns have been very much highlighted in Hokkaido and Hokkaido Shimbun came out with an editorial last year with a great concern about the project, primarily because Hokkaido is very dependent on its fishing industry, especially the shell fish industry, which is very highly developed there. It would be very directly impacted by an oil spill. It has also come up in the Japanese parliamentary procedures and it has certainly received some attention.

Our organization did a report last fall called "Sakhalin's Oil: Doing It Right." We brought over some experts from Alaska and Shetland Islands to look at oil spill prevention and response mechanisms around Sakhalin Island. The two people from Alaska were directly involved in the Exxon Valdez spill and the person from Shetland Islands was directly involved in the response to the *Braer* spill in 1993 in the North Sea.

Shetland Islands had a spill in 1979. At that time the government there woke up to some of the concerns about oil development and especially about tanker transportation and instituted a series of mechanisms. If they had adopted the same mechanisms in Alaska prior to 1989, it is very likely that the *Exxon Valdez* spill would not have happened. Unfortunately, Alaska did not learn from those mistakes and ten years later we did have the tragedy of the *Exxon Valdez*.

Now, eleven years later, we hope Sakhalin can learn from these mistakes and that it will not take an *Exxon Valdez* type of spill to institute the same kind of standards in and around Sakhalin Island. Many of these mechanisms are simple and do not require a large amount of investment. Rather they require political will. Some of the recommendations included in our report, such as putting in rescue tugs on both sides of La Perouse Strait, on the Sakhalin side and the Hokkaido side, to respond to a tanker that might be in distress, to have Neftegaz-class vessels or Neftegaz-class tugs stationed there, would require a certain amount of financial investment. We are currently in the process of translating this report into Japanese. The report is already available in Russian and is already being used by Russian authorities. For example, the Ministry of Transport in Russia has ordered an expert review of tanker shipping lanes in and around Sakhalin Island, based on the report. Once we get it translated into Japanese, we will be distributing it in Japan. We are also looking at a set of symposia, ideally in the fall this year in Tokyo and Hokkaido, so that people will become aware of some of these recommendations and what it would take to implement the recommendations.

Fisheries under Stress

We certainly are aware of the importance of the fisheries economy to the people of the Russian Far East. We need to talk about it in terms of economic issues as much as environmental issues. We can now see signs of distress within the fisheries populations in the Bering Sea and the Sea of Okhotsk and this is largely brought on not only by the Russian fishing practices but also by the Japanese fishing practices in the area, as well as U.S. companies. This, therefore, is very much an international issue that we all need to be involved in when we discuss how to promote sustainable development in the region. For example, when U.S. companies are involved in what I see as the overcapitalization of the Russian factory trawler fleet, it may lead to some significant stresses of the pollack population within the Bering Sea and the Sea of Okhotsk.

There is very significant concern, especially on the Russian side, about Japanese fishing, the targeting of salmon populations in Russian Far East waters. I would argue that this is an international security issue, an international environmental security issue. There have been fishing skirmishes. In the Bering Sea last summer there was an incident involving Russian boats and the Coast Guard. As we see further declines in the fisheries resources and further scarcity in the fisheries resources, and greater pressure on the fish, we could see a growth in security problems associated with this issue.

We need to start now by bringing all the actors together, to discuss these issues, intergovernmental actors. I am very supportive of the various U.S.-Russian dialogues that are going on. There have also been a number of Russian-Japanese dialogues on fisheries issues. We need to start thinking about incorporating conservation issues more in these dialogues. We also need to think about creating alliances or at least cooperation between non-governmental entities involved in this work, more specifically

environmental NGOs. We also need to cooperate and developing alliances between fishermen themselves, especially small boat coastal fishermen that are committed to conservation interests, although in Russia there is less of a coastal fishing industry. I believe some alliances or links between those fishing interests could be very useful. One of the organizations that has been most concerned about Sakhalin development has been the Hokkaido Fishermen's Union, which has been actively studying the Sakhalin issues and concerned about the potential in oil spill.

There are several paths that the Russian Far East can take. One path is the path of the Russian Far East becoming a resource colony for the Asia-Pacific region. I do not believe that is the path of sustainable development. The people in the Russian Far East in cooperation with the people in the United States and Japan can choose the path of sustainable development. It is a long and difficult path and may require a lot of cooperation and difficult choices and difficult issues but I believe we have the will power to choose that direction. Thank you.