

# Felling Forestry Firms' Towering Debts: Who Will Save the Forests?

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By Kunimatsu Yoshitsugu

[The plight of Japan's forests is just one of many ignored in the September election campaign. As the mountains of debt soar over Japan's national and local governments, Koizumi managed to focus attention on a single area that was in the black – the Post Office – and persuade sufficient numbers of voters that it constituted a crisis and needed to be privatized to win the election. Neo-liberal leave-everything-to-the-market policies would be Japan's salvation, the Prime Minister declared, presenting himself as the apostle of reform after four and a half years in office without a single reform in place. Here, Shiga prefecture Governor Kunimatsu looks at the impact of market-opening policies on the environment and economy of a major Honshu prefecture –adjacent to Kyoto and Lake Biwa.

felled to feed Japan's demand. Japan's forests still cover around two-thirds of the country, but their condition has deteriorated steadily as the agencies responsible for them run up debt and reduce forest workers. Today, forest-related public debt throughout the country is put at about 1.2 trillion yen. In this typhoon, flood, and earthquake-prone land, the wisdom and sustainability of leaving everything to the market is open to question. Here Governor Kunimatsu tells of the crisis of the forest in Shiga, a story that resonates throughout much of Japan. Japan Focus.]

Shiga Prefecture is surrounded by woods and mountains, and abounds with nature, with Lake Biwa nestled at its center.

The forests not only supply abundant water to Lake Biwa, nourishing life, but also serve as a natural dam to shield residents and their properties against floods and landslides. Furthermore, they serve extremely important functions as habitats for diversified flora and fauna.

Under timber "liberalization" policies adopted a quarter century ago, the price of cedar logs plummeted from 23,000 yen per cubic meter (in 1980) to 4,400 yen per cubic meter (in 2004) as cheap, imported Canadian, Russian, Southeast Asian forests were



But the public forestry corporations that have continued to protect and cultivate these irreplaceably precious natural assets have accrued towering debts. The two public corporations in Shiga Prefecture have a combined debt of 100 billion yen. They are not alone. In fact, the total debt of the 42 public forestry corporations in 38 prefectures across Japan tops 1.2 trillion yen, making it difficult for them to sustain themselves.

The public corporations were established as part of a national project to plant trees. The project aimed to meet the skyrocketing demand for timber prompted by the rapid economic growth of the late 1950s and early 1960s.

It took advantage of a special measures law for forestry profit-sharing. In accordance with the law, private land owners signed an agreement with the corporations to divide the proceeds from lumber operations. The corporations shouldered the cost of maintaining the forests during the 50 years it takes before they are ready to be felled.

These maintenance expenses were covered with loans from the Agriculture, Forestry and Fisheries Finance Corp., as well as some from the individual prefectures.

The government also took the initiative to afforest mountainous areas where it is difficult

for land owners to plant trees. In total, over 430,000 hectares of new forest have been planted to date.

But with the liberalization of timber imports, starting around 1960, and the influx of cheap imports as a result, the price of domestic timber plummeted. This caused serious problems for public corporations, which had counted on proceeds from lumber to recover their investments and repay their loans.

Shiga Prefecture, where Lake Biwa supports the life of 14 million people throughout the Kinki region, has traditionally attached great importance to the diversified functions of forests, including their power to retain water.

The prefecture's efforts to advance afforestation and forest maintenance came with financial assistance from Osaka and Hyogo prefectures, located downstream.

Forests' benefits to the public are once again attracting attention. The Kyoto Protocol to cut greenhouse gas emissions recently went into effect. To meet Japan's commitment to the protocol, the forestry ministry adopted a 10-year policy to utilize forests to absorb the gases starting in 2003.

In anticipation of this trend, Shiga Prefecture has been focusing on the importance of forestry

resources for their environmental values for more than a half century.

Ironically, that is also why its public forestry corporations have accumulated such huge debt.

The corporations are now switching to lower-interest loans and implementing other cost-saving measures to stem the crisis. The Shiga prefectural government is helping by reducing the interest to zero.

However, there is a limit to what the prefecture alone can do to help.

In order to improve the situation, the following policies need to be implemented without delay.

First, it is important to clarify how to settle the debts, which keep swelling with interest. Even though loans provided by the Agriculture, Forestry and Fisheries Finance Corp. have interest rates higher than the going rate, borrowers are not allowed to convert them to save interest. The rules should be changed, so that they can switch to loans with lower interest rates or have the interests reduced or exempted. Furthermore, the public corporations should be allowed to put off repayment until they have

enough lumber revenue to afford it.

Second, we need a system to maintain and conserve forests from a long-term perspective.

Instead of just focusing on economic benefits, we should also pay close attention to how forests play a positive role in promoting public interest.

We must come up with ways to pass down healthy forests to future generations.

The government stands by the idea that it is the responsibility of prefectures to settle past debts.

But public forestry corporations have been tossed back and forth by fickle national policy for so long that the central government cannot escape some responsibility for the huge debts.

Instead of looking the other way and leaving local governments to fend for themselves, the central government should frankly admit its responsibility for causing the mess, and get together with local governments to come up with imaginative ideas to resolve this difficult situation.

*Kunimatsu Yoshitsugu is the governor of Shiga Prefecture. This article appeared in IHT/Asahi Shimbun on September 30, 2005. Posted at Japan Focus on October 6, 2005.*