

# “Develop Policies for Truly Realizing Sustainable Forest Management”

Interim Proposals

Forest Industry Restructuring Committee—Creating the Future

## Basic Understanding

1. Although Japan is referred to as a resource-poor country, two-thirds of its land area is covered by forest, including 10 million hectares of artificial forest. Nevertheless, only about 20 percent of forest stock, which is increasing year after year, is recycled (utilized). More than a quarter of a century has passed since the words “21st century as the age of domestic timber” disappeared from the Forestry White Paper.
2. Since the mid-1970s, tree thinning has been attempted repeatedly in various ways. Such projects as forestry restructuring and development of forest roads and infrastructure have been promoted with considerably large budgets. In addition, after the Kyoto Protocol, tree thinning has been carried out to achieve policy aims, such as mitigation of global warming and transition to a low-carbon society. However, forest, forestry, and mountain villages have been declining and becoming exhausted. There is no sign of escape from the negative spiral.
3. The causes and background factors of this forest and forestry decline have been explained in various ways. In short, there is an underlying mismatch between the demand side, which is exposed to international competition, and the supply side, consisting of forestry corporations (forest owners), who mostly are not aware of the necessity of sustainable management. This is evidently demonstrated by widely practiced cutoff thinning.
4. The government of Japan published its “Forest and Forestry Regeneration Plan” in December 2009 and “Shape of Restructuring of Forest and Forestry toward Regeneration” in November 2010. Evaluating forestry as a growth industry, the government started to materialize its restructuring with its budget for fiscal 2011. The central government also began preparation for revising the Forest and Forestry Basic Plan. However, the concept of “sustainable forest management” in the “Forest and Forestry Regeneration Plan” and in the “Shape of Restructuring of Forest and Forestry toward Regeneration” is used in the sense of management only from the resource-management side.

5. We consider: “The forestry industry will become a growth industry that creates the future, leading to the birth of a recycling-based low-carbon society in line with the new policy aim, through realization of “sustainable forest management.” This should not be only from the viewpoint of resource management but also from the viewpoint of making the industry effective. This will also make Japan a rich country that effectively utilizes forest.”

With the basic understanding described above, we submit the following interim proposals. Continuing our studies further, we will submit final proposals that should be reflected in the national budget and measures for fiscal year 2012.

### Proposal I: Create comprehensive measures, including legal systems, to enable sustainable forest management.<sup>1</sup>

1. Establish criteria<sup>2</sup> for classifying forest into commercial forest and noncommercial forest (ecological forest). For individual regions (blocks),<sup>3</sup> provide management models for commercial forest to serve as a guide for forestry management entities in actively managing forest, and present a progress schedule for noncommercial forest toward converting it finally to natural forest that does not require management or care.
2. To direct forestry to market-oriented management, create demand<sup>4</sup> under a national strategy, encourage the supply side to make efforts to reduce costs and to be more creative, and provide an environment to cause economic matching<sup>5</sup> between the demand side and the supply side.
3. Provide legal systems (restricting property rights for public welfare)<sup>6</sup> to enable improvement of road grids for productivity improvement (cost reduction) and to enable intensification of work and management entities.
4. In addition to legal systems in point 3 above, restructure the taxation system to review inheritance costs and ownership costs, which are largely disadvantageous for forestry owners compared with agriculture (inheritance tax payment extension system<sup>7</sup>).

<sup>1</sup>“Management” used here does not simply mean forest resource management. It is equivalent to “management” or “administration” as used to mean an enterprise sustained as an industrial entity with imaginative and creative efforts under its own self-responsibility, irrespective of management style (business corporation, state-owned or publicly owned forest, public corporation, association, hamlet-owned forest, etc.).

<sup>2</sup>Criteria for classification may include: natural conditions such as geographical features, soil conditions and forest physiognomy, and social conditions such as world natural heritage site and national park status. The practical significance of forest classification is in identification of undertaking rules and review of public subsidization (for example, national subsidization of the full amount of expenses for converting noncommercial forest into natural forest that requires no management or care).

<sup>3</sup>Regions (blocks) may be, for example, Hokkaido, Tohoku, Hokuriku, Kanto, Chubu, Kinki, Chugoku, Shikoku, and Kyushu (including Okinawa).

<sup>4</sup>Regarding demand, “Forest Industry Study Group, Creating the Future” submitted a report.

<sup>5</sup>“Economic matching” means: It is important that both demand-side requirements and supply-side requirements are satisfied at the same time. For example, the demand side may require that, for example, production of woody biomass (in pellets) be internationally competitive, while the supply side may require that forest management be profitable. It was the result of economic mismatch between the demand side and the supply side that thinning was not effectively utilized for forest management.

<sup>6</sup>Provision of legal systems is to be based on the idea that certain restrictions should be imposed on private property rights from the viewpoint of public welfare, considering forest to be the nation’s shared resource and property. Points of legal systems are: (1) streamlining forest information and completing cadastral surveys, (2) separating ownership and utilization (management) to permit forest intensification even in the absence of an owner.

<sup>7</sup>In the case of agriculture, even “utilization” of farm land can be subjected to tax payment extension.

## Proposal II: Take transitional measures to make the effect of Proposal I continue and to establish a recycling society.

1. It will take a long time before the measures under Proposal I become effective to establish the foundation of sustainable forest management (management models for individual blocks) and the forest industry grows to be internationally competitive. The successful realization of sustainable forest management will serve as the infrastructure of a recycling-based low-carbon society.

Reforestation to be done after trimming will be extremely important for achieving the purpose of this policy. In order to ensure reforestation is conducted in a reliable manner, provide backup<sup>8</sup> for strengthening a financial and management structure that permits low-cost production to take place.

2. Streamline the safety net<sup>9</sup> to cope with situations beyond self-responsibility.

<sup>8</sup>Examples of backup for strengthening the financial and management structure: (1) political financing and taxation for road-improving expenses, employed labor expenses, and capital spending; (2) supply of

long-term operating funds by political financing.

<sup>9</sup>Situations beyond self-responsibility may include: “wood prices drastically lower than international price levels due to an excess supply of wood,” and “difficulty of continuing business due to a natural disaster.” As a safety net, it can be considered to perform system reforms to allow forestry management entities, regarded as small and medium-sized enterprises, to receive financing according to the small and medium-sized enterprise credit-guarantee system and financing from various financial agencies.

### Proposal III: Create an adequate scheme to ensure implementation of proposals I and II.

1. Take necessary measures<sup>10</sup> through identifying and verifying various management styles.

<sup>10</sup>For example: (1) Concerning state-owned forest, classify the forest into commercial forest and noncommercial forest after verifying its management status and disclosing information, and draw up a progress schedule as soon as possible for delegating the entire management of the commercial forest portion to private corporations and for converting the noncommercial forest portion to natural forest. (2) Concerning monopolistic or favorable treatment in terms of order receiving, or concerning favorable treatment in terms of subsidization for forest corporations, employ equal footing with other business entities.

2. Foster human resources highly specialized in business management<sup>11</sup> and resource management (in conversion to natural forest) required for reliable implementation of the policy and measures, and secure their employment according to a progress schedule for 5–10 years.

<sup>11</sup>First of all, verify the management status of forestry forest-management entities and identify their employment capabilities.