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DCI Environmental Center

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Robust Global Environmental Agenda

Follow-up activities to the Kyoto Climate Change agreement will dominate the international environmental agenda this year, with many divisive issues to be resolved prior to the Conference of Parties next fall in Argentina. Developed countries, for example, must map out policy measures to implement their carbon emission reduction commitments for the 2008-2012 period.

- In addition, developed countries will set guidelines under which emissions trading and joint implementation projects will be permitted.
- The EU must calculate the economic and policy implications of reducing emissions of six gases—rather than the three it has already studied—and develop an equitable burdensharing formula allocating obligations among member states. [redacted]

Developed nations will push hard to convince LDCs—who are not part of the treaty—to cap their emissions voluntarily. Nonetheless, many LDCs—particularly China and India—likely will continue resisting future reduction targets for themselves, claiming they would be hurt economically. [redacted]

Non-Kyoto Issues Remain Contentious

[redacted]

UN-sponsored sessions to draft a treaty banning the use and export of persistent organic pollutants made progress last year on finalizing the list of substances—mostly agricultural and industrial chemicals—and

the control measures. A draft treaty is to be presented to the first negotiating session in June, but significant differences remain between the US, the EU, and others over the criteria for adding new chemicals to the ban.

— [redacted] the EU countries—particularly the Nordic countries and the UK—favor a flexible approach over a regime that would subject proposals to ban additional chemicals to a rigorous scientific review. [redacted]

The Conference of Parties to the Basel Convention on Hazardous Wastes next month will discuss a proposal to exclude scrap metals and other recyclable commodities from the ban on exports of hazardous wastes from OECD to non-OECD countries. Increasing numbers of LDCs support limiting the scope of the ban, [redacted]

Biosafety negotiations in May will center on defining which genetically modified organisms (GMOs) and products derived through biotechnology should be covered under a proposed protocol limiting their use. Negotiators will address the US-EU trade dispute over the EU's rejection of some GMO products—such as soybeans and corn—and the EU's proposed ecolabeling scheme. [redacted]

The G-7/8 Environment Ministers and EUROPOL officials will meet in Washington this month to discuss ways to improve enforcement of environmental treaties over the next year. Germany, Italy, and the UK will try to deflect criticism of lax enforcement by highlighting their recent



efforts to crack down on illegal CFC and hazardous waste smugglers. They will note that the European Commission has initiated legal actions against member states for infringement of EU environmental laws.



Postmortem on Kyoto [redacted]

Several factors were crucial in overcoming the impasse during the Kyoto negotiations last month. [redacted] Chairman Estrada displayed a particularly deft touch in crafting a compromise that recognized both sides' positions on an emissions trading provision in the Protocol. To satisfy China, India, Saudi Arabia, and some African countries, he issued a chairman's decision paper calling for further study of emissions trading. At the same time, he created a new article in the Protocol acknowledging that developed countries committing to emissions reductions may engage in emissions trading at some future time.

—Only the article is binding on the parties. [redacted]

Disarray among EU countries prevented them from holding out for their 15-percent emissions reduction target. [redacted]

[redacted] The French Environment Minister told the press she would rather have no protocol than a flawed one, but the UK, the Netherlands, and the Luxembourg presidency pressed hard for a lowering of the EU emissions target from 15 percent to a more feasible 9 percent.

—The creation of an Asia-Pacific emissions trading regime—comprising Australia, Canada, Japan, New Zealand, Russia, and the US—reassured the EU that the non-EU developed countries would not interfere with the EU burden-sharing scheme, which was vital to EU acceptance of the accord.

[redacted]

The lack of solidarity among the Group of 77 developing countries also facilitated compromise. Argentina, Chile, Kiribati,

Mexico, Nauru, Samoa, Seychelles, and South Korea helped stymie efforts China, India, and Saudi Arabia to obstruct the talks, [redacted] In addition, Brazil—which normally would have supported China and India—remained silent because the US agreed to incorporate the Brazilian proposal for a Clean Development Mechanism into the Protocol.

—Indonesia, the Philippines, and Sri Lanka helped by calling for a compromise. [redacted]

Next Steps From Kyoto [redacted]

Coordinated follow-up has yet to appear, but official reactions and plans for the next steps are beginning to emerge. The UK has listed climate policy as a priority for its EU presidency, even though the Labor Government has lost credibility by keeping coal mines open and stalling further natural gas substitution, according to press reports.

— EU Environment Commissioner Bjerregaard told Danish journalists that she would put the “highest possible political pressure” on the US to ratify the protocol. [redacted]

Japan has moved quickly to organize a Cabinet-level task force to implement the protocol, including drafting new legislation on energy-saving measures, according to press reports. Following the Kyoto conference, Toyota announced it will increase production of direct-injection gasoline engines and its low-emission hybrid car that operates with electric and gasoline motors. [redacted]

US agreement at Kyoto to the Clean Development Mechanism has earned goodwill among developing countries. African governments were pleasantly surprised at the “flexibility and creativity” of US policy, although South Africa would have preferred to fine tune the World Bank’s Global Environment Facility rather than create a new mechanism [redacted]

— Malaysia commended the US and wants to know more about how emissions trading will work. [redacted]

[redacted] Even

Indonesia—the new chair of the Group of 77 developing countries—appears open to emissions-reducing investments by Western firms. [redacted]

China and India, however, continue to criticize US efforts to harness their carbon emissions. The Chinese media say Beijing will not consider a cap on emissions for at least 50 years. India’s Kyoto delegates last month misled the New Delhi press by saying they “virtually” thwarted adoption of emissions trading, but they failed to mention that the protocol, at Chairman Estrada’s insistence, provides for emissions trading.

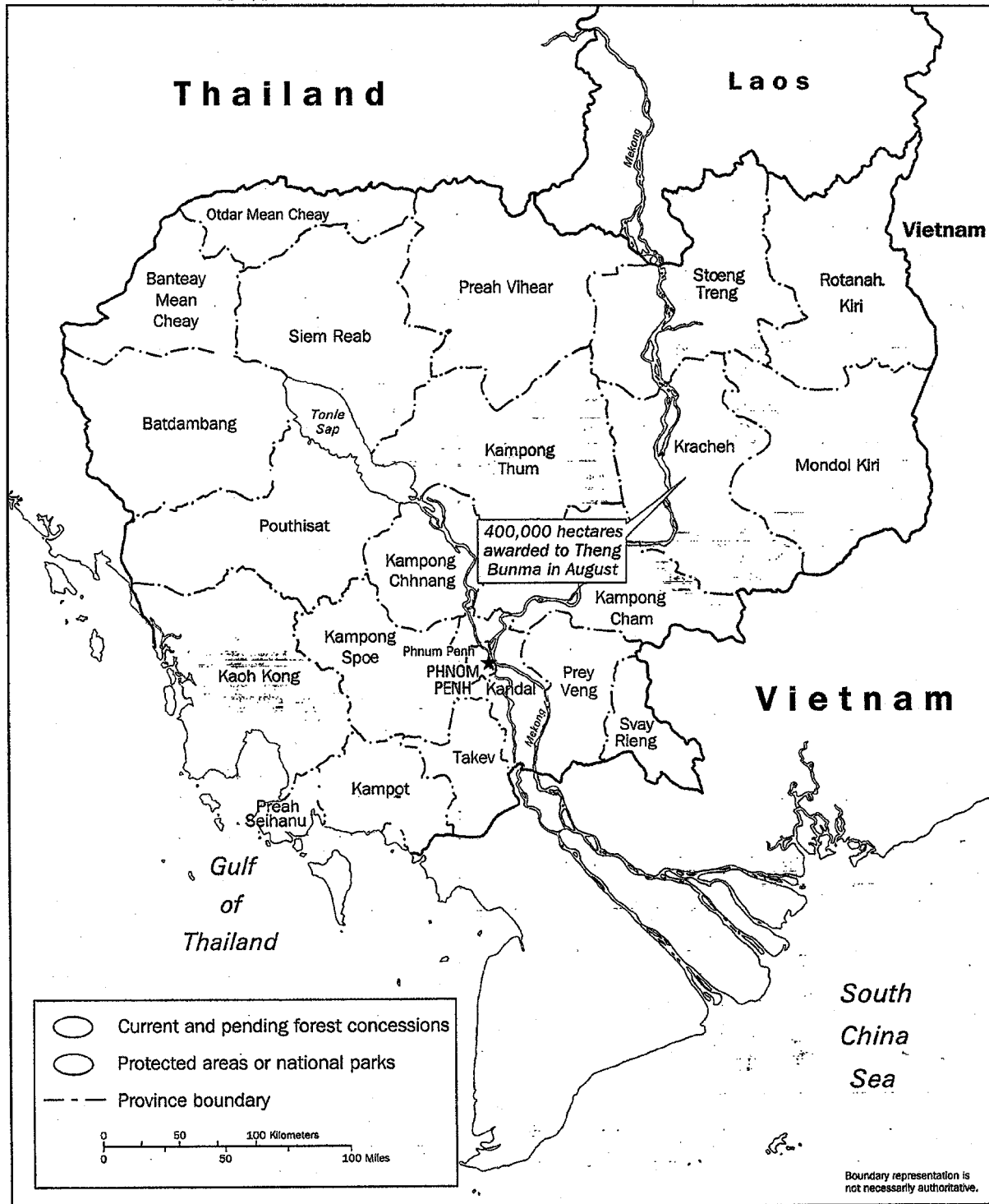
— [redacted] there will be no change in India’s hardline policy until after a new government comes to power in March. [redacted]







General Areas of Logging Concessions in Cambodia



Malaysia Not Giving Up on Troubled Dam Project [redacted]

[redacted]
initial site development is continuing for the Bakun Hydroelectric Power Project in Sarawak, despite the government's announcement in October that the project would be deferred because of the financial crisis. Press reports say roads, support facilities, and water diversion tunnels for the dam will be completed by late spring.

[redacted]
Environmentalists have called the \$5 billion project destructive, and financial analysts say it is economically unviable. Environmental NGOs have warned that massive damage would result from flooding the approximately 173,000 acres of rain-forest, which supports various protected species of fish, birds, mammals, and plants.

- The dam would displace as many as 10,000 natives, according to one environmental group.
- Environmental groups have taken the unprecedented step of warning potential investors that the economics of the dam are wrong and probably would produce lower-than-expected rates of return.

[redacted]
The government decision to defer the dam and its growing cost make its targeted completion date of 2003 unlikely. A dispute over cost overruns and subcontractors in August forced Ekran—the main local contractor—to drop a Swiss/Swedish/Brazilian consortium that was responsible for completing the dam.

- The Finance Ministry last month took control of the project, promising the government will assume all financial liabilities.

[redacted]
Malaysia plans to double the amount of electricity generated by burning coal by 2000 to cover its growing energy needs in the near term, but it views hydroelectric power from Bakun as important in the long term. [redacted] the dam project remains a favorite project of Mahathir and that he views it as a key step in Malaysia's development. The government will have to decide in the spring whether to renew funding for the project after the initial site preparation is complete. [redacted]



Egypt: First Steps Toward Greening the Sinai

[redacted] Nile River water is flowing only about 3 km into the Sinai through the North Sinai Canal despite the project's official opening to great fanfare in late October. The section of canal between the Nile and the Suez Canal, called the Al Salaam, is complete and operational, but the section that transits the Sinai, known as the Shaykh Jabar, is still under construction.

— Partially completed segments and pumping stations of Shaykh Jabar— [redacted] [redacted]—extend nearly 60 km into the Sinai.

— Unfinished canal check stations and major portions of the trough further stem the eastward flow of water.

[redacted]
The Al Salaam pump station—consisting of four tunnels, [redacted]—appears to be operational where it passes under the Suez Canal.

— Adjacent support facilities are still under construction. [redacted]

The entire North Sinai Canal project is intended eventually to transform about 182,000 hectares of desert into arable land and to create 27 villages for 500,000 to one million Egyptians. [redacted]

[redacted]

—The project began in 1993 and is expected to be completed by 2004, but the Ministry of Antiquities has halted operations frequently when the builders have unearthed artifacts. [redacted]

President Mubarak publicly has said the importance of the project is second only to the New Valley Canal effort. Cairo began construction on the New Valley Canal in January to divert water from the Nile at Lake Nasser into to the Western Desert.

—The Canal is intended to create up to 570,000 hectares of arable land for resettling as many as 7 million people.

Potential Military Impact

The Sinai's north coast is a historic invasion route. In the event of military action, the large, open canal would serve as an antitank ditch, forcing troops to divert either north or south.

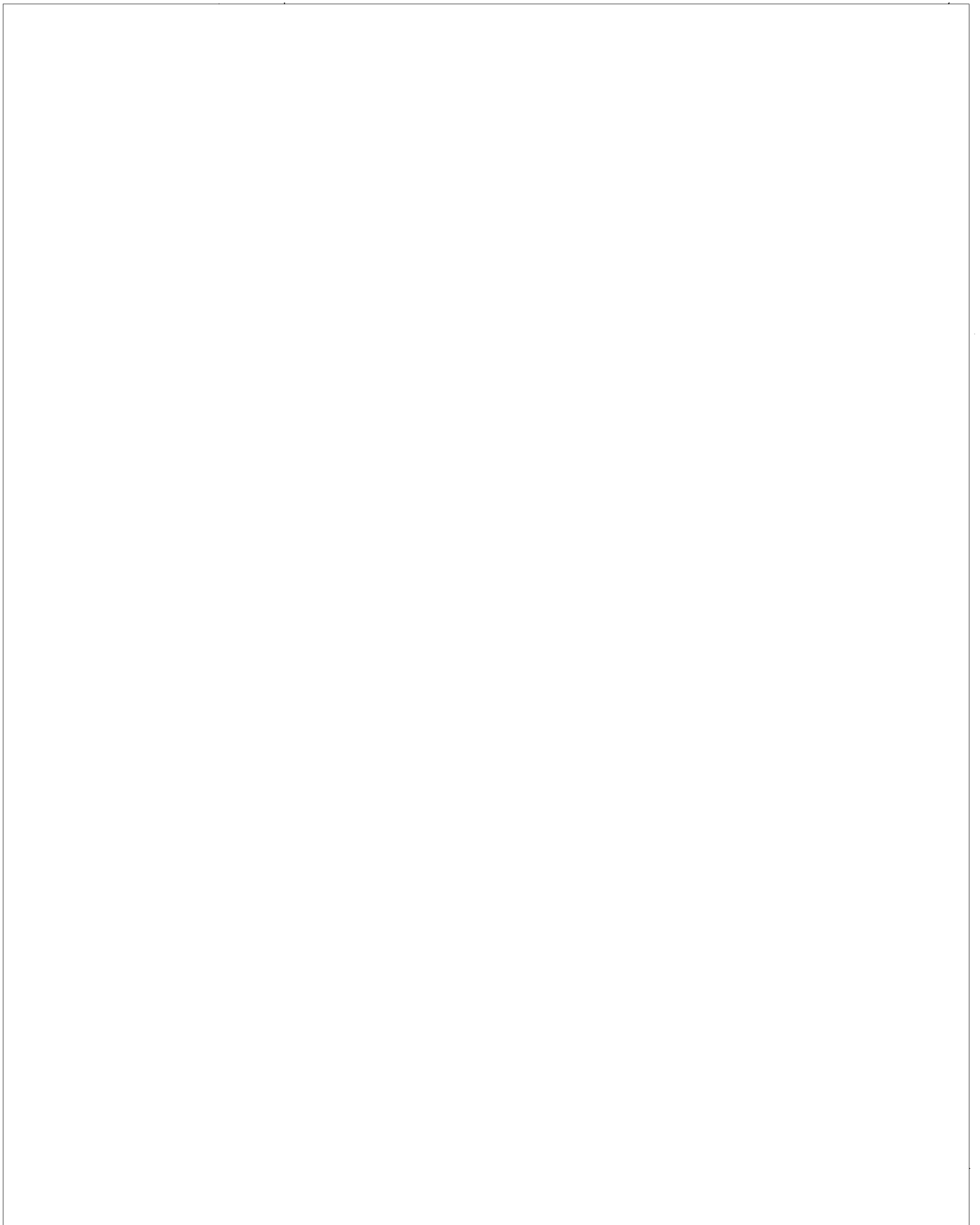
—Where the North Sinai Highway crosses over the Canal would be a major chokepoint. [redacted]

Increased irrigation and a network of smaller irrigation canals eventually will create larger areas of wet, cultivated land that could impede heavy, tracked vehicles.



Commercial development—including power plants and power transmission lines, water treatment facilities, factories and residences—would further hamper the east-west movement of military forces.





**Philippines Concerned About
El Niño-Induced Drought** [redacted]

The government is scrambling to mitigate the effects of a severe water shortage projected to last another five months. [redacted]

[redacted] authorities are particularly concerned about the availability of domestic water supplies in selected areas.

— Officials began rationing water in Manila in December, in an effort to reduce usage by about 20 percent, and the chief of police threatened to arrest anyone wasting water.

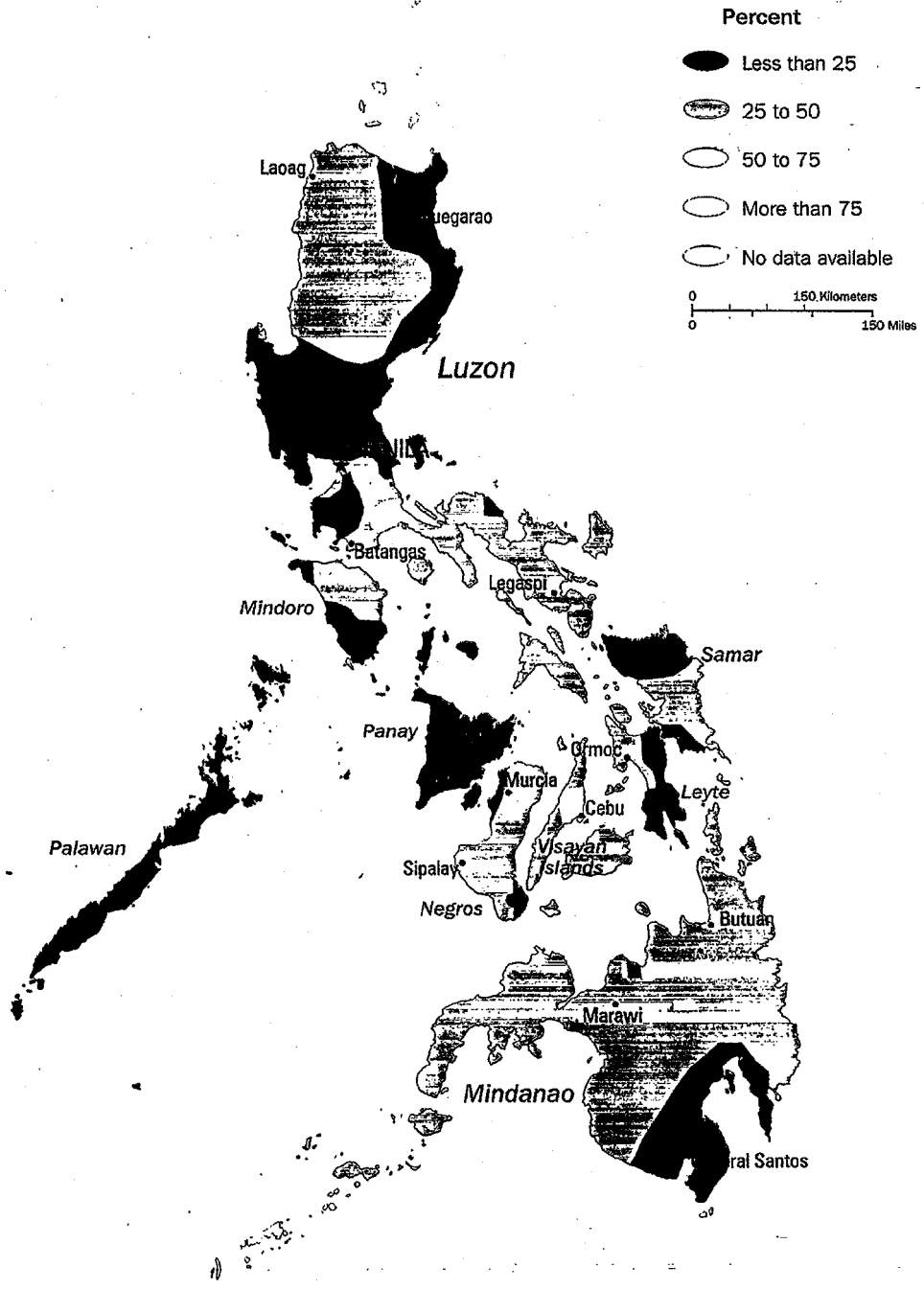
— President Ramos has established an El Niño task force and slated \$63 million for relief efforts. [redacted]

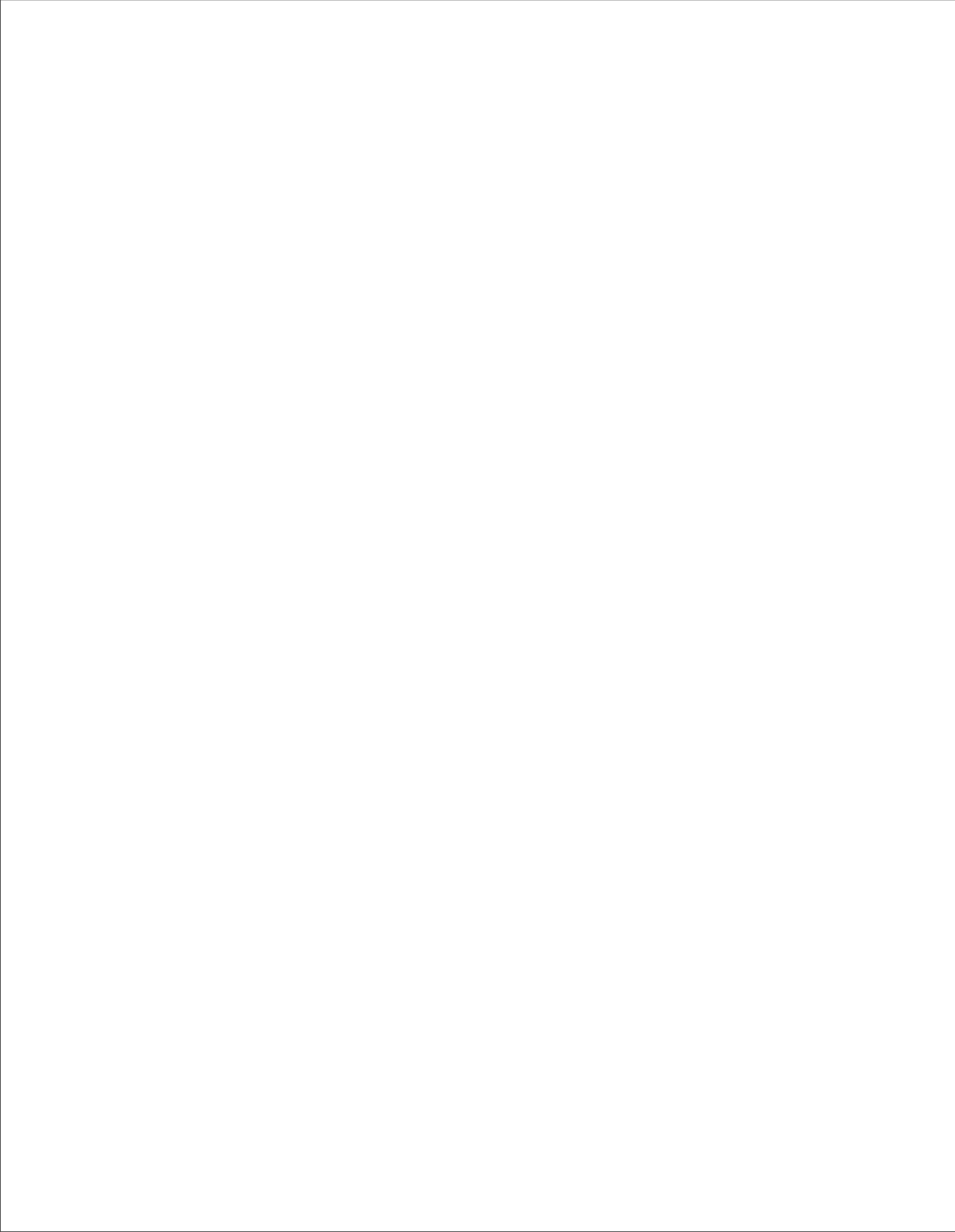
Government estimates indicate 50 of the country's 73 provinces have experienced a 50-percent drop in rainfall, with only four recording "near normal" precipitation. The shortages will reduce crop production—which accounts for about 20 percent of GNP.

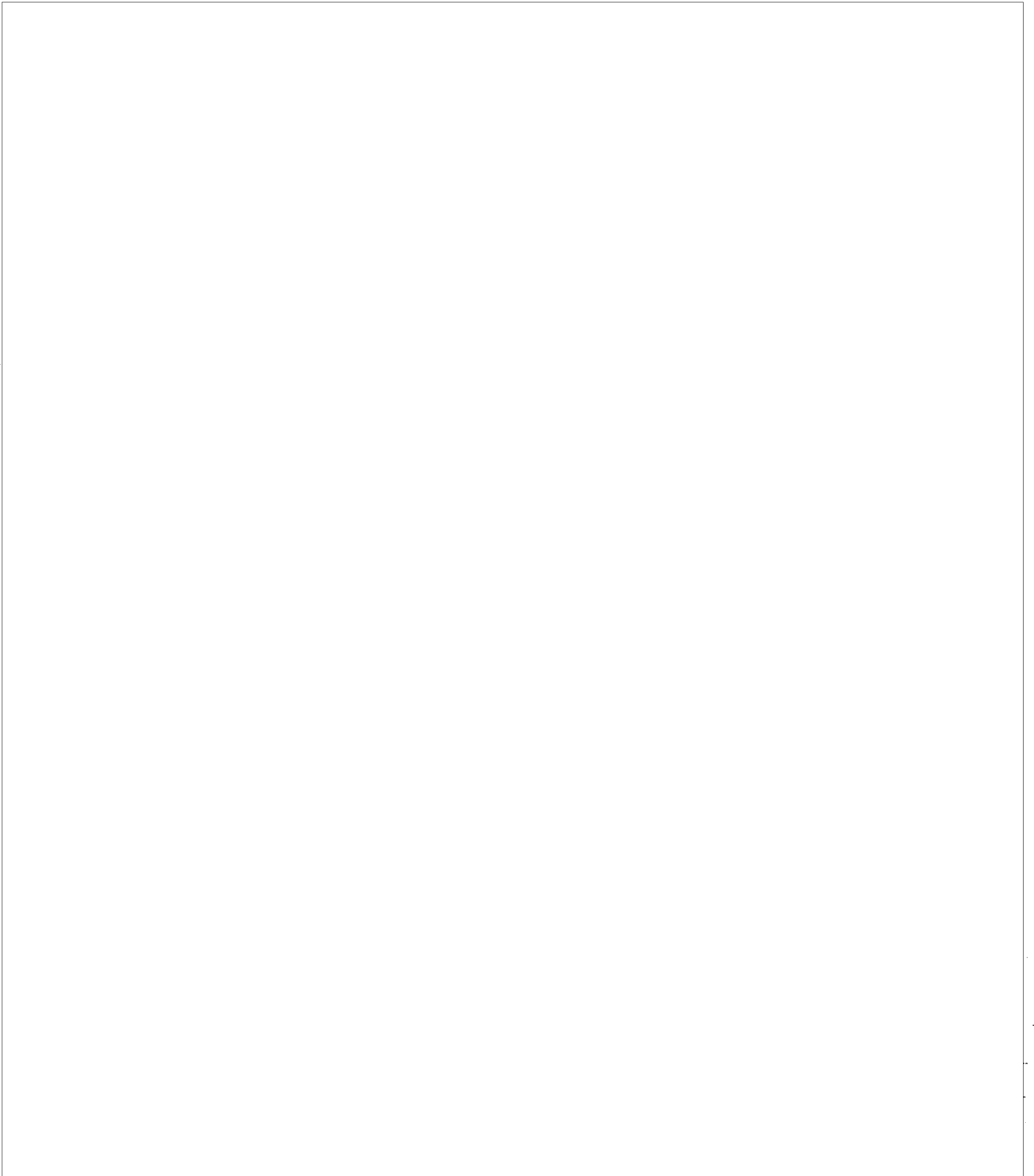
— Anticipating shortfalls, the government has ordered 350,000 tons of rice from Vietnam, Cambodia, and China, according to press reports. [redacted]

The combination of the drought and the financial crisis in the region has prompted the government to revise its GNP target for next year from 6.5 percent to 4.5 percent and raise its inflation forecast for next year from 5.2 percent to 7.0 percent. [redacted]

**Percentage of Normal Precipitation
in the Philippines, November 1997**







Malawi and Mozambique Preparing To Weather El Niño [redacted]

[redacted] predicts the El Niño effect will cause drought conditions in southern Malawi and southern and central Mozambique during the next six months. Neither country is likely to experience a drought-related humanitarian crisis, however, because each has made some preparations, and donors are aware of the potential problem. [redacted]

Malawi Braces for Impact [redacted]

Malawi's farmers appear to be switching from maize—which is particularly vulnerable to dry spells—to other crops, and the government is giving them drought mitigation advice. [redacted] production of root crops and cassava—excellent drought-resistant plants—has increased markedly since the 1994-95 crop year.

— [redacted] farmers in the past year have earned \$35 million from cash crops, particularly tobacco, which will enable them to buy imported grain. [redacted]

Subsistence farmers—a significant portion of the population—are particularly vulnerable. More than 50 percent of Malawian households typically run short of cereals four to six months before the next harvest.

— [redacted] less than 1 percent of Malawi's food crops are irrigated. [redacted]

Mozambique Better Positioned [redacted]

[redacted] the area of Mozambique north of the Zambezi River consistently has produced large food surpluses and should be able to make up for any crop losses farther south. Even in years of severe drought elsewhere, maize from this area has been exported regionally.

— Grain production in the center and north of the country has increased in recent years—press reports say the grain harvest last year was the highest in 20 years—as a result of Mozambican refugees returning from Zambia and Malawi to work their farms. [redacted]

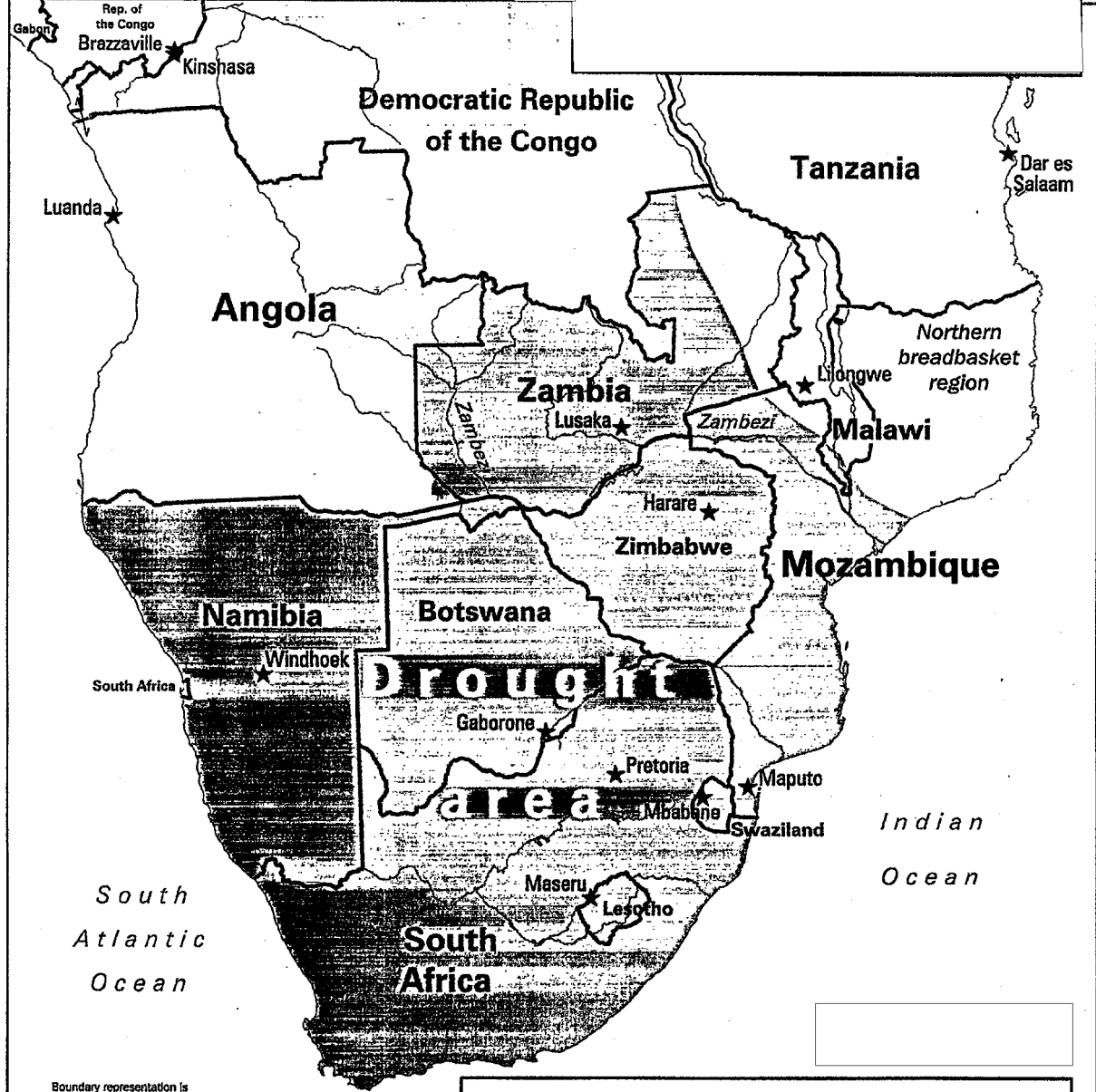
Maputo appears to be taking proactive drought measures. According to press reports, NGOs and the government launched a publicity campaign to get farmers to expand cultivation and to plant drought-resistant crops.

— Other press reports say the National Water Directorate has ordered the main dams to increase water holdings for future use.

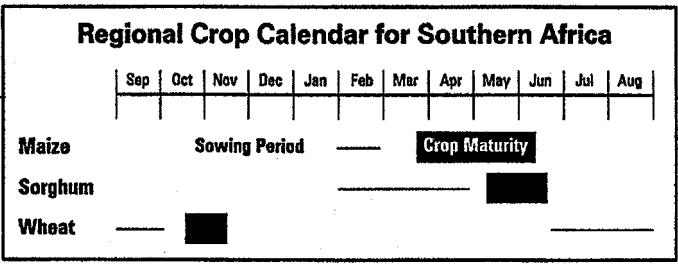
— Mozambique's dilapidated transportation infrastructure may pose challenges to food distribution, but these problems are surmountable. [redacted]

Malawi: Accustomed to Aid
 Malawi historically has been dependent on aid, and we expect Lilongwe to request aid no matter how slight the impact of El Nino.

Area of Anticipated Drought Due to El Nino



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Selected International Environment-Related Meetings, 1998

	<i>Forum</i>	<i>Venue</i>
21-22 January	G-7/8 Environment Ministers Meeting on Environmental Enforcement	Washington
11-13 February	Persistent Organic Pollutants (POPS) Working Group on Strategies	Geneva
23-27 February	Fourth Conference of Parties to the Basel Convention on Hazardous Waste	Kuching, Malaysia
19-20 March	WTO Committee on Trade and Environment	TBD
23 March	EU Environment Ministers Meeting	Brussels
28 March	Summit of the Americas	Santiago
2-3 April	OECD Environment Ministerial	TBD
4-15 May	Conference of Parties to the Convention on Biodiversity	Bratislava
18-22 May	Eighth Meeting of Parties to the UN Convention on the Law of the Sea	TBD
22 May-30 September	1998 World Exposition (EXPO '98) "The Oceans: A Heritage for the Future"	Lisbon
23-25 June	Fourth Environment-for-Europe Ministerial	Aarhus, Denmark
30 June	First Global POPs Negotiating Session	Geneva
June-August	Intergovernmental Forum on Forests	TBD
July	Independent World Commission on Oceans	Lisbon
24 August-4 September	Second Conference of Parties to the Convention to Combat Desertification	Dakar
1-3 September	APEC Senior Officials Meeting on Environment	Singapore
November	Tenth Conference of Parties to the Montreal Protocol	Cairo