

An analysis of illegal logging and trade in the Russian Far East and Siberia

by Forests Monitor, Bureau for Regional Outreach Campaigns
and Friends of Siberian Forests

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Part of the project:
*Building Capacity in NGOs in the Russian Far East and Siberia to
monitor illegal logging operations and the timber trade*



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1. Introduction

This report presents an overview of the findings of the two-year project “Building Capacity in NGOs in the Russian Far East and Siberia to monitor illegal logging operations and the timber trade”, which was funded by the European Union. The aims of the project have been to strengthen the capacity of environmental NGOs in the Russian Far East and Siberia to play an active part in documenting the many forms of illegal logging and trade that are prevalent in these areas, and to use the information to lobby authorities at the district, regional, national and international levels to address illegal and unsustainable harvesting and export of Russia’s forest resources.

The project has been a partnership between *Forests Monitor*, based in the UK, and *Bureau for Regional Outreach Campaigns (BROC)* in the Russian Far East and *Friends of Siberian Forests* in Siberia. The partners have engaged with other groups in the regions to strengthen forest monitoring skills through workshops and on-the-ground training, and to form alliances to advocate change and promote greater awareness amongst local communities and authorities about the detrimental economic, social and environmental consequences of an out-of-control industry.

The report synthesises the main findings of the project, including the field work undertaken by the Russian partners, their interactions with authorities and an analysis of trade with neighbouring countries. The report analyses the draft forest code and identifies some key recommendations for change that have been formulated by the Russian partners as a result of the work they have undertaken over the course of the past two years.

2. Overview

The boreal forests of Siberia and the Russian Far East are home to a rich variety of species, and are significant for forest biodiversity. Russia has vast forest resources, but although much of the taiga is still untouched, forest quality is declining. There are many underlying causes for this loss of forest quality: logging, fires, mining, road construction, oil and gas development, and clearing for agriculture¹. As the international demand for Russian timber increases logging is spreading into previously unlogged forest areas. In the past decade the demand for raw logs has soared. In the same period domestic processing in Russia has decreased, and the export of logs has become the main source of income for many timber enterprises. Thus, the timber industry in the Russian Far East and Siberia is currently heavily dependent on the export of raw logs.

In addition to being at the mercy of the market for raw logs, this region has suffered a severe increase in the incidence and volume of illegal logging. Illegalities can take a number of forms. In the Russian Far East and Siberia, NGOs have documented cases of logging without permits, felling of protected species, use of fake documents, bribes, felling of more than the allowable cut, and export without appropriate documents². Corruption is widespread, and in many cases the very individuals and institutions charged with protecting forest resources are implicated in the illegal timber trade.

The increase in the unsustainable harvesting of timber in the Russian Far East and Siberia is a threat to the rich biodiversity of the region and areas that provide important habitat for endangered species are at risk. More importantly, the vast areas of the Siberian and Russian Far Eastern forests are home to tens of thousands of indigenous people as well as other forest-dependent communities who rely on the forest for their livelihoods. One of the most pristine areas of the Sikhote-Alin forests, the Samarga river basin, is home to the Udege people. In 1991 this area in the north east of the Primorsky region was designated as a potential traditional-use reserve. Despite the long-standing intention to reserve the Samarga basin, the Primorsky based company Terneiles was recently granted a 49-year concession to log this area and controversially has been certified by the Stewardship Council. A spokesperson of the Agzu Hunting and Fishing Association explained that the taiga is not only the base for the Udege peoples' livelihood, it is also the spiritual anchor of the community. He feels that logging the Samarga basin would mean the end of his community. As the pressure to log in the Russian Far East and Siberia increases, there will be more conflicts of a similar nature.

Much of the logging in the Russian Far East (RFE) and Siberia is carried out by small-scale operators. There are, however, two large companies operating in RFE. The Malaysian multinational Rimbunan Hijau entered the area when it was granted a large concession in 1997 for a period of 48 years in Khabarovsk region. Terneiles operates in Primorsky Krai. Both small-scale operations and logging by large companies require careful monitoring for any violations of forestry and environmental laws and regulations. The awareness of the problems associated with logging in the Russian Far East and Siberia is slowly increasing. A number of NGOs and journalists are monitoring the timber flows from the Russian Far East and Siberia, and in recent years they have exposed cases of illegalities in the timber trade.

The efforts by BROCC and FSF to engage with local and regional authorities and elected representatives have met with mixed results. Although some have shown a willingness to tackle the problems, others either turn a blind eye or are themselves

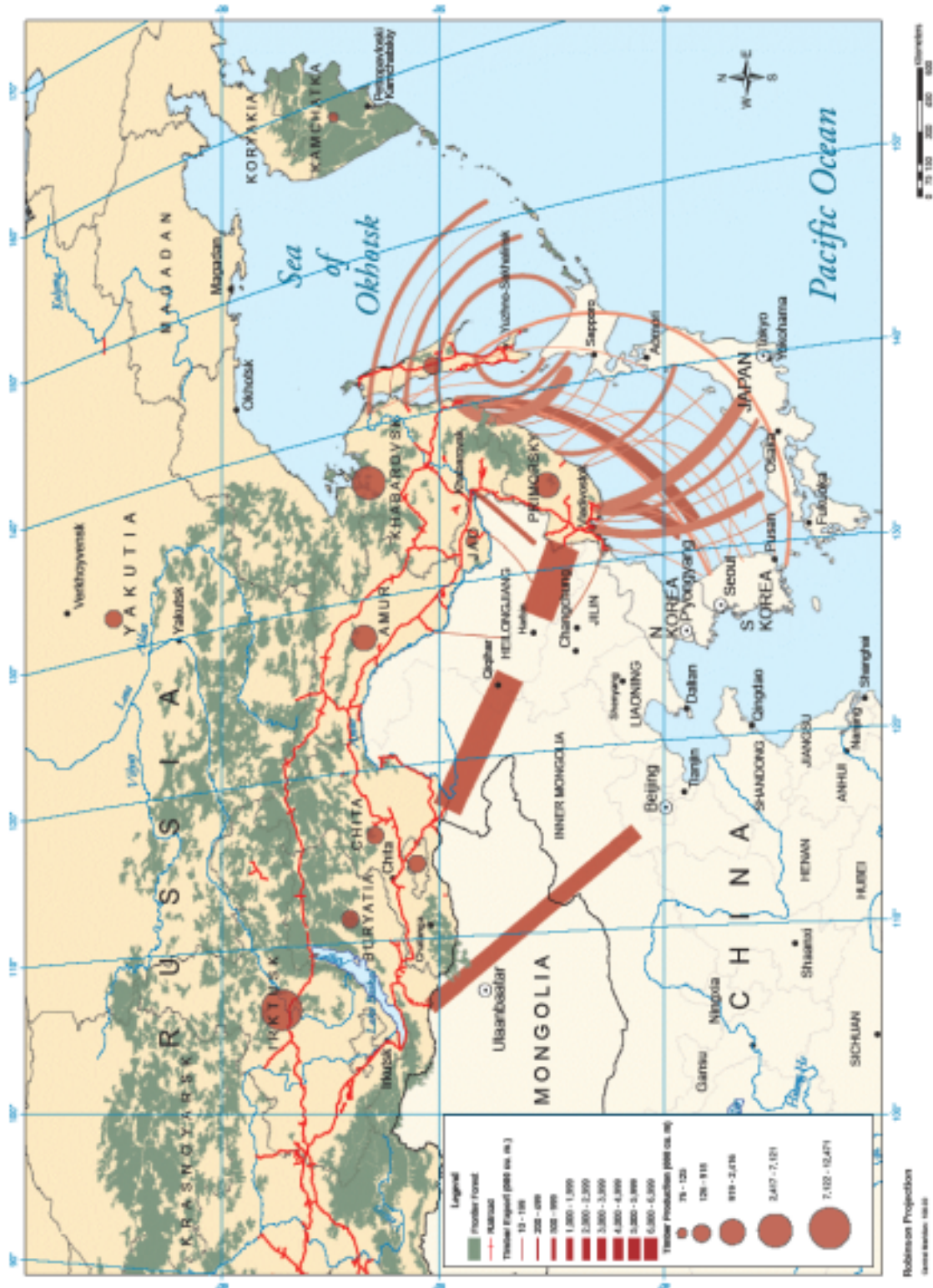
implicated in corrupt practices and illegal activities. The Russian federal government has signalled its interest in tackling the problem by offering to host the first Ministerial Conference on Europe and North Asia Forest Law Enforcement and Governance (ENA-FLEG) in November 2005. As with similar processes in Asia and Africa, it is expected that the conference will bring governments together to agree priorities and actions for tackling illegal logging and its associated trade throughout the region. This will be an important opportunity for producer and consumer governments to take decisive and co-ordinated action to halt activities that rob Russia alone of billions of dollars of income.

However, as indicated clearly by the evidence gathered during the course of this project, if the Russian government is committed to implement policies that not only halt illegal logging but also promote economic development within environmentally and socially sustainable limits, then it has to implement and enforce coherent policies and laws that not only tackle illegal logging but also allow local communities and enterprises to develop environmentally and socially sustainable forest-based industries. These are more likely to bring lasting economic and social benefits to the people living in and near forests, rather than facilitating the concentration of power in the hands of distant corporations. The models exist for such development, and the ENA-FLEG provides a perfect opportunity for the international community to support Russia in actively promoting these models.

3. The Russian-Asian Timber Market³

The rise of the Asian timber markets is fundamentally reshaping the timber industry in Eastern Siberia and the Russian Far East. There are other factors of course: an uncompetitive wood processing industry, weak regulation, pervasive illegal logging and export, and high energy and transport costs. However, rapid increase in demand, particularly in China, is the primary driver of change and given rapidly rising demand will continue to do so. This has widespread implications not only for the industry and the people who depend on it, but also for the health of the great boreal and temperate forests of Russia.

This chapter is divided into four sections. The first section outlines the structure of the region's timber industry, focusing on how privatization and liberalization have led to a sharp rise in the number of loggers, exporters, and export points. The next section is a reflection on what the structure of the industry means for the health of these forests. The third section provides an overview of the Northeast Asian timber market, while the last summarizes why raw log export dependence poses such a threat, briefly assesses the prospects for wood-processing, and finally, what can be done to address illegal logging and trade. Links to field reports undertaken as part of the project are noted where relevant.⁴



Russian Timber Production and Export to Northeast Asia, 2002

Source: Map by Newell. Data are from Russian Forest Service, 2002, and Russian Customs, 2003.

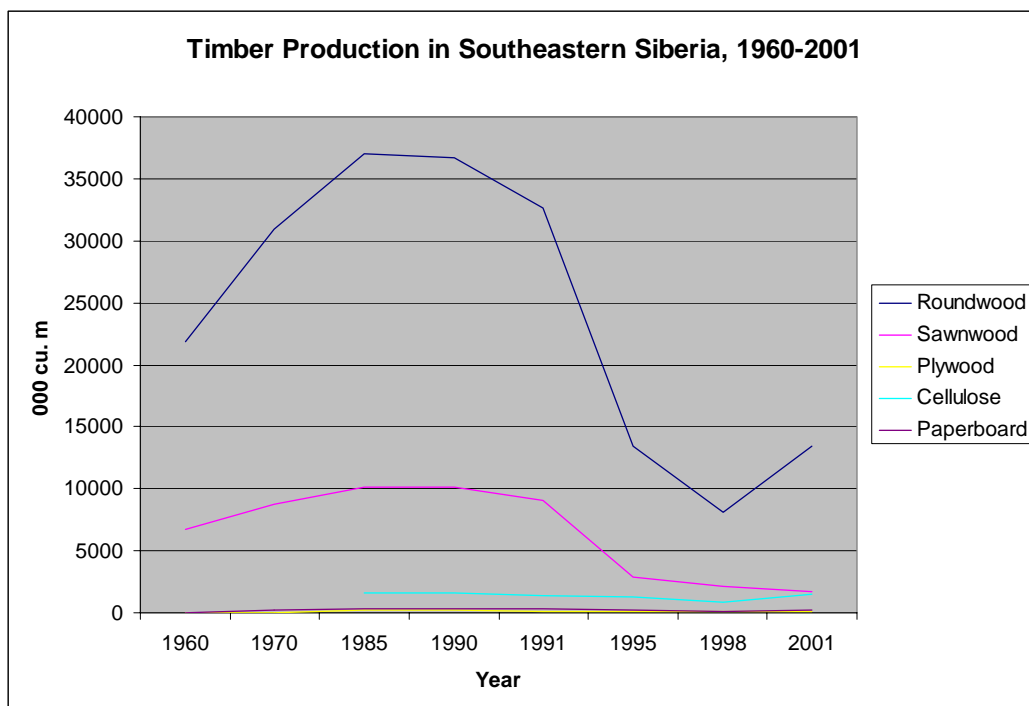
Basic structure of the industry

Although the timber industry has traditionally accounting for between 5 and 10 percent of total industrial production in the Russian Far East and Eastern Siberia, its importance to the economic and social fabric of village life in some regions is far greater. In the timber-rich regions of Primorsky, Khabarovsk, and Irkutsk, log exports contribute a large portion of hard-currency revenue. For many towns and villages, the closure of wood-processing enterprises, a trend that began after perestroika, has been devastating, causing a loss of jobs, tax revenue, and basic services such as a stable energy supply (the boilers used in timber mills often provide centralized heating for communities).

When compared with the structure of the present-day industry, the Soviet era timber industry was more balanced. In 1989, in the Russian Far East, almost half of all timber production was used regionally, while 25 percent was sent to other regions of the former Soviet Union, and 30 percent was exported abroad. Processed timber (sawn wood, plywood, etc) accounted for 20 percent of the region's total timber production⁵. Today, processed timber is just 7% of total production and the region now exports more than 70% of its total harvest.

There is little evidence, despite the ambitious plans of a number of regional officials, of a significant rebound in the processing industry. Figures 1 and 2 show that after bottoming out in 1998, roundwood production is again increasing in both Southeastern Siberia and the Russian Far East, albeit not nearly at levels seen in 1985. Yet in Eastern Siberia, since peaking at 10.17 million cubic meters in 1990, sawnwood production has steadily decreased, falling to an all-time low of 1.7 million in 2001. In the Russian Far East, production has rebounded only slightly – from a low of 484,000 cu. m in 1998 to 788,000 cu. m in 2001.

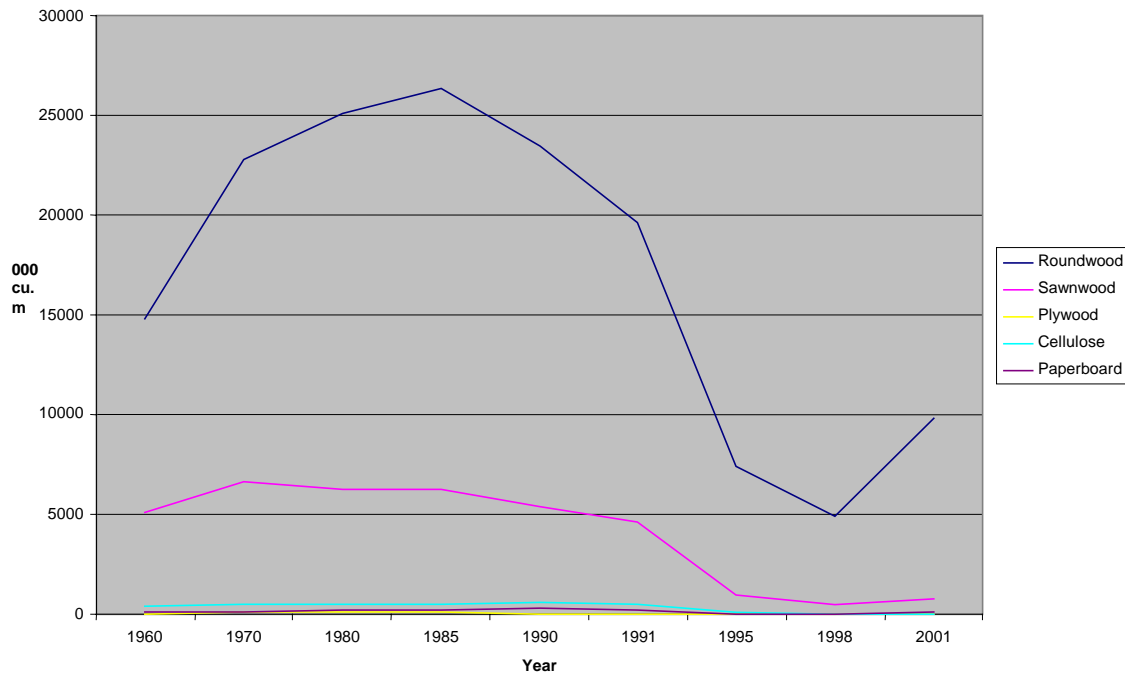
Figure 1



Source: Economic Research Institute, Far Eastern Branch of Russian Academy of Sciences

Figure 2

Timber Production in the Russian Far East, 1960-2001



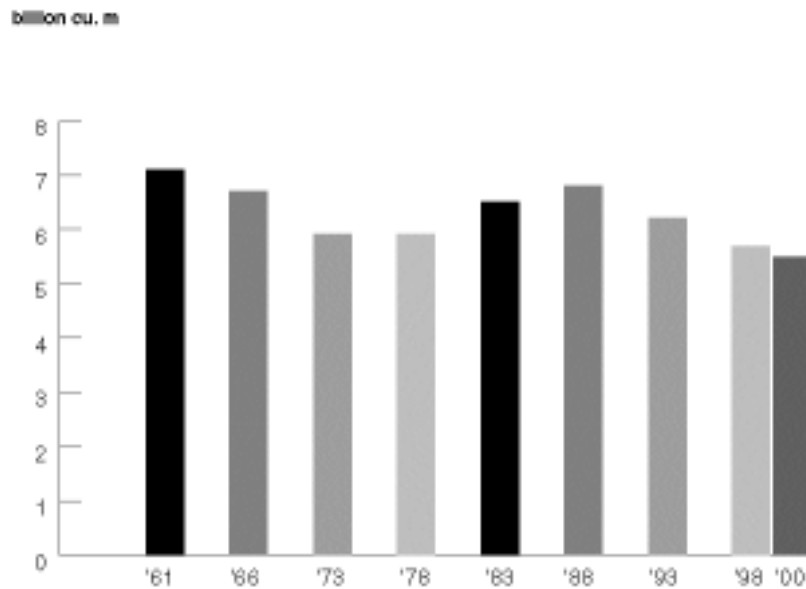
Source: Economic Research Institute, Far Eastern Branch of Russian Academy of Sciences

Are the forests better off now than during Soviet Times?

Timber industry representatives point to overall decline in timber harvest as evidence that the region's forests have had some respite from the decades of overlogging during the Soviet era that led to a significant degradation in the quality of the region's forests — essentially the replacement of mature conifer forests with second-growth deciduous forests and shrubs. A 2001 assessment by the International Institute of Applied Systems Analysis found the stock of "mature and overmature" forests (essentially conifers) in the RFE decreased from 7.1 billion cu. m in 1961 to just 5.5 in 2000 (see figure 3).

However, wasteful and destructive timber harvest practices may have become even more prevalent than during the Soviet era. First, to supply the Asian markets, there has been an increase in high-grade logging, whereby only large-diameter, commercially valuable trees are felled. High-grading degrades the quality of the forest, as only the best trees are selected. Also due to the collapse of processing, woodchips, branches, and smaller logs – used to make sawnwood, plywood, and pulp and paper – are left at the logging sites, increasing the already enormously wasteful operations and providing fuel for potential fires. Second, illegal logging and poorly regulated timber harvest have led to logging along protected river basins and in nature reserves (for specific examples of illegal logging in existing and planned protected areas, see BROC-7, BROC-8, BROC-9, BROC-10, FSF-7, FSF-8). The continued high demand for harvest-restricted Korean pine has led to overharvest of that species, significantly reducing an important food source (pine nuts) for many animal species (See BROC-2, BROC-5, and BROC-7). Also, when factoring in illegal logging, overall timber levels are likely much higher. According to the World Wide Fund for Nature (WWF), as much as 50 percent of total timber harvest in the Primorsky Region may be illegal and therefore not reflected in official statistics⁶.

Figure 3
Growing stock of mature and overmature forests
in the RFE, 1961–2000

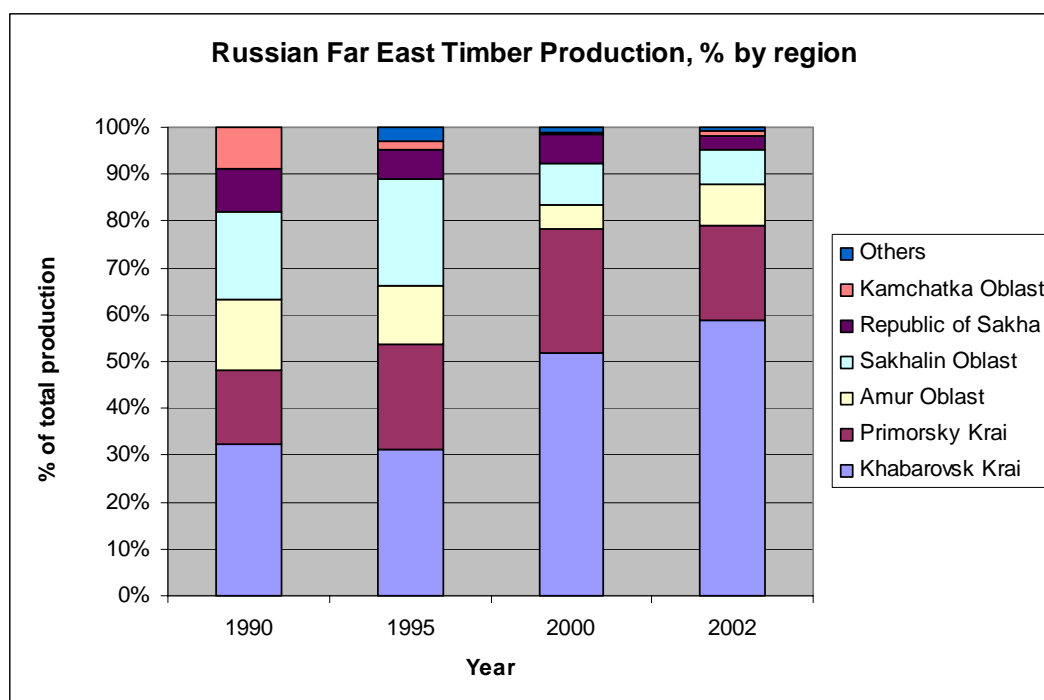


Note: Data are for major species and in exploitable areas (roughly half of the total area).

Source: Nilsson, International Institute of Applied Systems Analysis (IIASA), 2001.

Finally, timber harvest is increasingly becoming localized, steadily shifting from the north to the south due to high energy and transport costs and because of the new focus on the Asian markets. Both Khabarovsk and Primorsky Krai have become the dominant timber centers, accounting for 79% of the RFE's production in 2002, up from 48% in 1991 (see fig. 4). Kamchatka once produced 9% of the total, but this figure had shrunk to 1% by 2002.⁷ This geographic shift means that logging pressures continue to increase in the RFE's most biologically diverse forests, including the Ussuri Taiga. These forests are the site of some of the most controversial logging projects, including Rimbunan Hijau's Sukpai logging concession and Terneiles' Samarga concession (For detail on Rimbunan, see BROCC-13; For Terneiles, see BROCC-11). Exact statistics are not available for Eastern Siberia, but logging pressures are clearly centered around the forests west and east of Lake Baikal, a World Heritage site and one of Russia's ecological crown jewels (For information about illegal logging along the shore of Lake Baikal, see FSF-5).

Figure 4

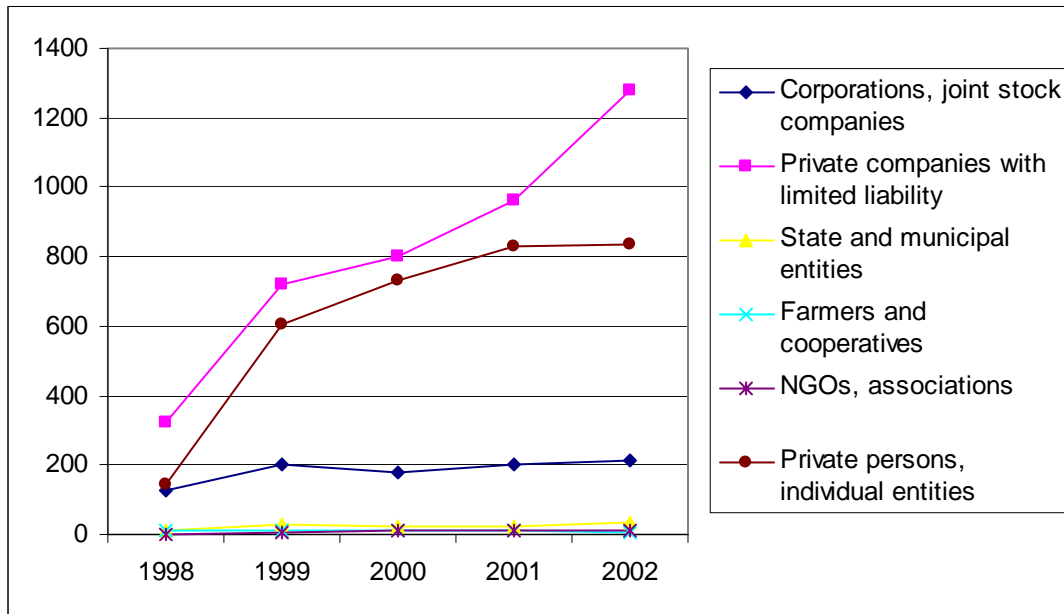


Source: Lankin, *Status and Trends in Forest Product Exports from the Russian Far East and Siberia to China*. 2004, Pacific Institute of Geography: Vladivostok. Reprinted with Permission.

The rise in logging companies, exporters, and export points

Radical privatization and liberalization, for a variety of reasons, led to the explosion in the number of actors involved in the Russian timber sector. Industry consolidation still appears to be decades away. By 2000, in Khabarovsk region alone, more than 450 logging firms were registered⁸. The number of exporters has also mushroomed since the government dismantled the Soviet system of strictly limiting the number of exporters and export points. The government has since made efforts to limit the number of export points, but the expanding number of exporters shows no sign of abating. In 1998, approximately 700 entities were registered as exporters to China, by 2002 this had increased to more than 2300 (see fig. 5). Most of the field reports document the activities of illegal logging; see for example, BROC 11, BROC 12, and BROC 14).

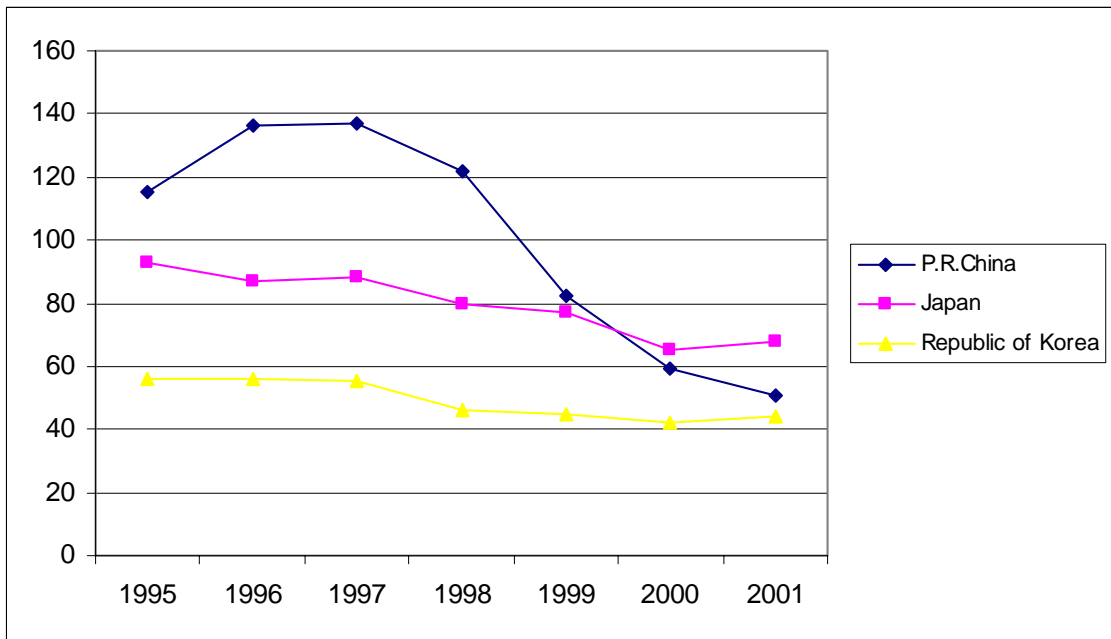
Figure 5
Russian timber exporters to China by category and number



Source: Lankin, *Status and Trends in Forest Product Exports from the Russian Far East and Siberia to China*. 2004, Pacific Institute of Geography: Vladivostok. Reprinted with Permission.

The large number of actors has influenced the sector in a number of ways, most of them negative. The rise in the number of logging firms, coupled with the inability of the poorly-funded and often corrupt divisions of the Federal Forest Service to properly regulate these operations, is a major reason for the rise in illegal logging (For specific examples of timber operations involving the Forest Service, see the following field reports: FSF-5, FSF-7, BROCC-2 and BROCC-12). Geographer Alexei Lankin maintains that these many operators are flooding the market with timber and are therefore responsible for the steady decline in the price of timber, as shown in figure 6.

Figure 6



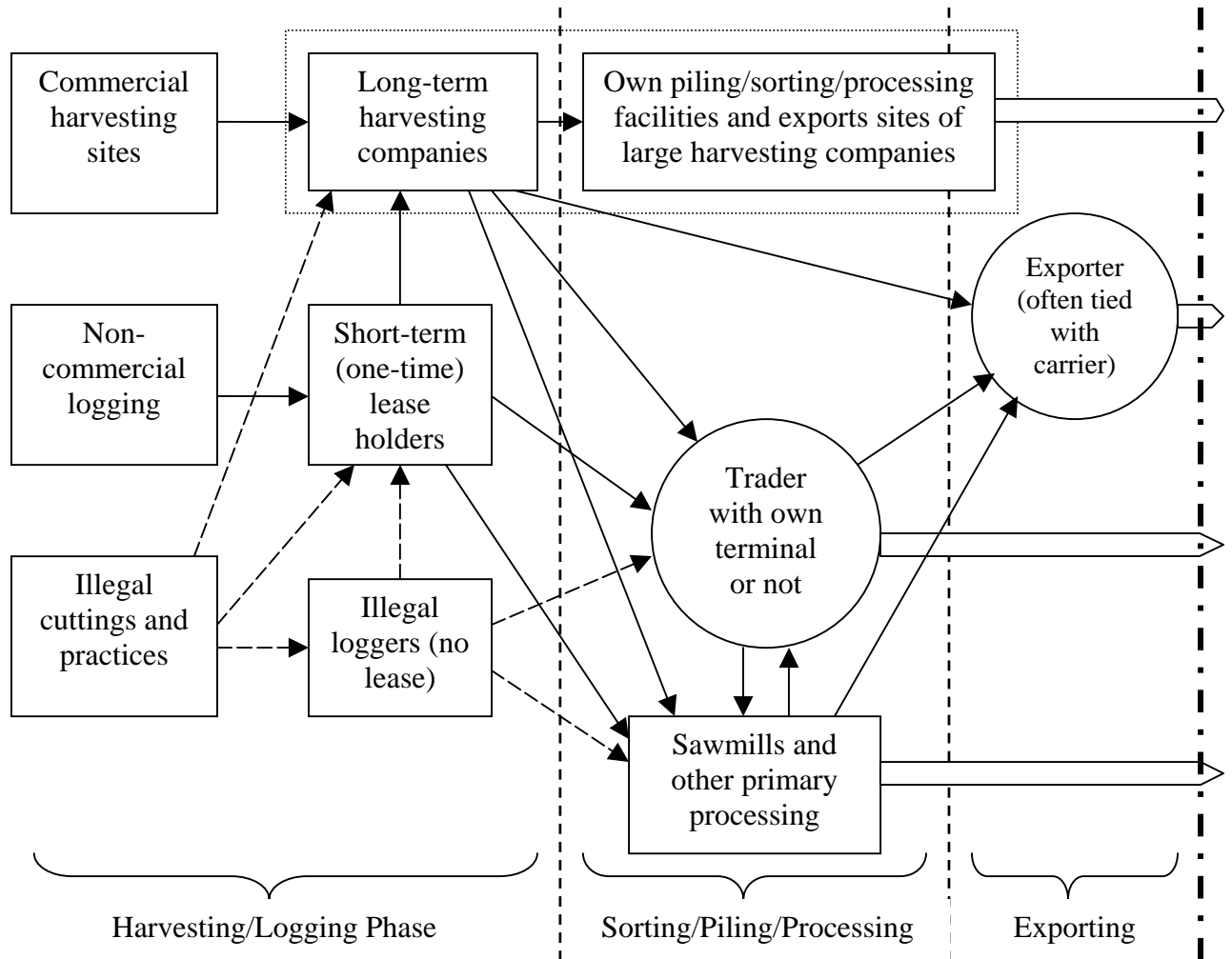
Prices trends in Russian timber export to China in 1995-2001

Source: Lankin, *Status and Trends in Forest Product Exports from the Russian Far East and Siberia to China*. 2004, Pacific Institute of Geography: Vladivostok. Reprinted with Permission.

Finally, effectively tracking the chain of custody from the logging site to the importer has proved extremely difficult due to the great number of players involved in timber harvest and export. Lankin provides us with a rough picture of these many actors (see figure 7), illustrating the many stages where the timber can be 'mixed up.' The thin arrows show timber flows where, due to poor transparency in Russian business practices, exact information of the volumes and money involved is difficult, if not impossible, to obtain. The dotted thin, broken arrows illustrate the numerous channels by which illegally logged timber enters the legal timber chain. The thick arrows represent the crossing of the Russian border by authorized exporters.

Figure 7

Chain of custody patterns



Source: Lankin, Status and Trends in Forest Product Exports from the Russian Far East and Siberia to China. 2004, Pacific Institute of Geography: Vladivostok. Reprinted with Permission.

There are two chain of custody models that typify most Russian timber exports to Northeast Asia. In the first model, the large commercial timber harvesters, usually privatized state-owned *Lespromkhozy*, handle all phases of the chain from the harvest site to the signing of the agreement with the importer. Usually these companies have their own sorting and processing facilities and are also registered as an exporter. However, these firms often purchase timber from third parties -- including small firms that may or may not be logging illegally -- either to fill a particular export order or because they can make a profit. The second model essentially introduces intermediaries. An intermediary may be a Russian exporter that purchases timber from a number of logging companies operating on short-term leases or from illegal loggers. But an intermediary may also purchase timber from large commercial timber harvesters who may not have the necessary export capacity. An intermediary may also simply act as a carrier or processing facility for an exporter. There are literally dozens of possible scenarios that involve

intermediaries at some point in the timber chain. These complex arrangements have therefore made it virtually impossible in some cases, particularly in the second chain of custody model, to source the timber back to the original logging site as well as to distinguish between legally and illegally logged timber. This reality is a major constraint for retailers such as the furniture giant IKEA in their efforts to require their Chinese suppliers to be able to source in which forests their timber is coming from, see page X (see BROCC-5).

Timber Export to Northeast Asia

In a span of just ten years, Russian timber exports to Northeast Asia (China, Japan, and South Korea) have more than quadrupled, from 6.9 million cu. m in 1993 to 26.6 million cu. m by 2002 (see figure 8).

Figure 8

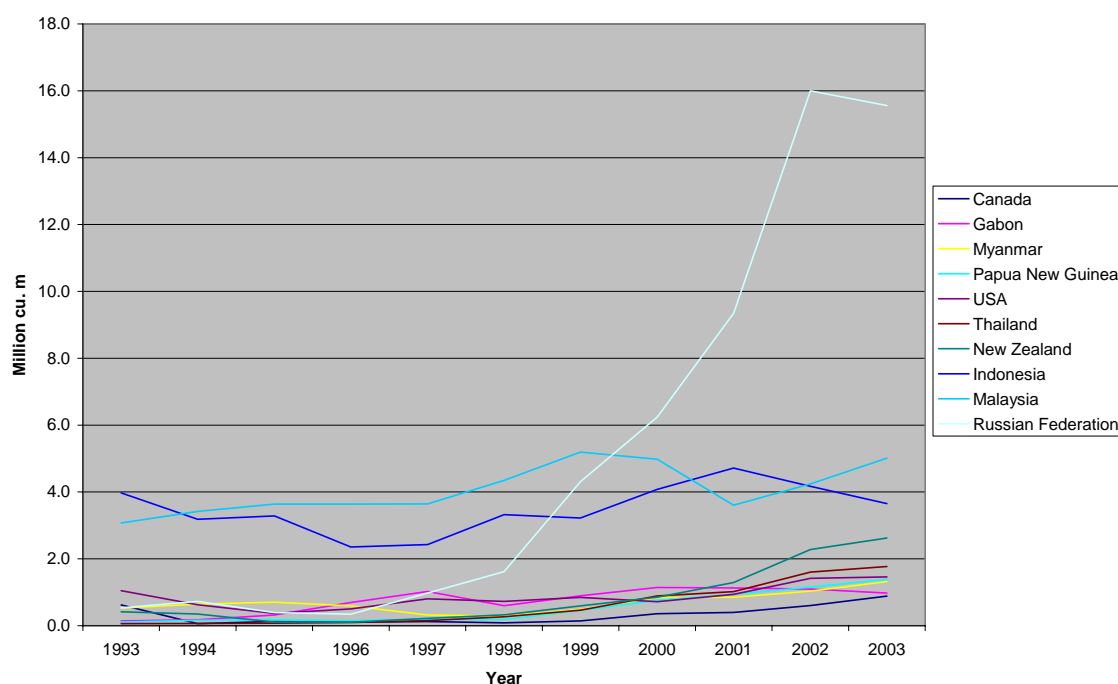


Source: FAO Stat, 2003

This timber comes almost entirely from the southern Russian Far East and Eastern Siberia. While Korea and Japan have both steadily increased imports, the primary reason for the dramatic rise in timber export is China. Massive flooding in China in 1998 – attributed to the widespread deforestation of upper river watersheds - led the government to pass the National Forest Protection Plan. This plan has strictly limited timber harvest to protect the few remaining natural forests, to control water levels, and to prevent soil erosion. But these harvest restrictions, combined with rapid economic growth, have led to skyrocketing Chinese imports. Chinese imports of wood products have almost tripled since 1998, from 12 million cu. m to 36 million cu. m in 2003, catapulting China past Japan to become the world’s second largest importer of forest products. Russia now provides about 45% of this total, making it by far the most important source⁹. (see fig. 9)

Figure 9

Top Timber Exporters to China, by volume, 1993-2003



Source: Xiufang, S., *Meeting Chinese Demand For Forest Products*. 2004, Forest Trends: Washington, DC.

For both Japan and China, Russia has emerged as the primary source of roundwood, which is a major shift. Russian logs account for 61% of China's total log imports, up from 21% in 1997, whilst Russian logs represent of about 40% of total Japanese log imports in 2002. This shift clearly indicates that both countries see Russia as a long-term supplier of raw materials, while Russian processed forest products exports to both countries remain negligible in comparison. Despite concerted efforts by some regional governments to encourage processed wood exports– the Khabarovsk administration being the prime example – roundwood continues to be by far the largest component of the export mix. In fact, the market share (by percentage) of roundwood has remained essentially the same for both Japan and South Korea. In 1997, roundwood was 95% of all timber export to South Korea and in 2002, the figure was 94%. For Japan, the figures are 88% and 86% respectively. In China, the percentage has actually increased, from 74% in 1997 to 90% in 2002.

By 2025, according to the Center for International Trade in Forest Products, an industry think tank at the University of Washington, China may face a deficit of 200 million cu. m of wood per year. At 2003 rates (45% of the total import), Russia may therefore be expected to provide China with 90 million cu. m of timber by 2025. This is more than three times the total reported yearly harvest in both the RFE and Eastern Siberia! Given the growing localization of logging to the southern regions and the already significant impacts to biodiverse forests such as the Ussuri, coupled with widespread corruption and illegality, these forests simply cannot handle a threefold expansion in the logging rate. Below are some brief country studies of the three major export markets, included within each summary is a projection of future trends.

China

Virtually, all Russian timber is exported to China from forests in either Eastern Siberia (about two-thirds) or the RFE (one-third). China imports primarily Siberian pine and larch logs from Eastern Siberia, and ash, larch, fir, Korea pine, and spruce from the southern RFE. The timber is exported primarily through three main railroad routes. The largest route — about 3.15 million cu. m of timber in 2001 — is from Primorsky Krai's Gorodekovo (Pogranichnoe) to the Chinese city of Suifenhe, located just 100 km from Russia's Ussuriisk, a city of 250,000 and a center for the Russian-Chinese trade. The second largest route — about 3.11 million cu. m of timber in 2001 — is by the Russian-built Chinese Eastern Railroad, which cuts through Manchuria from the Eastern Siberian border of Zabaikalsk, runs southeast of Lake Baikal to Manzhouli in China and then on to Harbin, a Russian-built city, major timber center, and the current capital of China's Heilongjiang Province (For information on Zabaikalsk-Manzhouli, see FSF-6)¹⁰. The third of the major supply routes — about 1.7 million cu. m of timber in 2001 — is by railroad from Naushki, just south of Lake Baikal in the Republic of Buryatia, to the Mongolian capital, Ulaanbaatar then down to Erlianhot in the Chinese province of Inner Mongolia, and finally towards Beijing. Illegally logged pine from Northern Mongolia is mixed with Russian timber shipments bound for China on the Russian-Mongolian rail route, according to one Chinese forestry expert. There are a number of other overland routes (Blagoveshchensk, Leninskoe, Khabarovsk, Poltavka, and Kraskino) but these are relatively small by comparison.

Although the vast majority of the timber is exported by the three rail routes, the last few years have witnessed a sharp increase in exports by ship from two major ports in the Russian Far East: Nakhodka (1.4 million cu. m in 2002) and Vanino (1.2 million cu. m). This may be due to increased competition with crude oil exports from Western Siberia along the rail routes as China has greatly increased imports from Russia to meet energy shortfalls. Also, with the increased use of Russian timber in parts of China other than Manchuria, it is now cost efficient to export timber by ship to the more southerly locations. Major import ports are Dalian, Najing, and Tsingdao. One can expect this trend to continue as more and more Chinese companies use Russian timber.

There has been some increase in processed Russian wood products, although as discussed earlier, this represents just a small fraction (10%) of total Chinese imports and the increase is not nearly as significant as round wood imports. Pulp imports have grown from 706,000 cu. m in 1997 to 3.6 million in 2002, while paper imports have slightly more than doubled during the same period, totaling 800,000 cu. m in 2002. Most pulp and paper goes via the Zabaikalsk-Manzhouli route, originating primarily from the pulp mills near Lake Baikal. Lumber imports grew from about 16,000 cu. m in 1997 to 730,000 cu. m by 2002. This was predominantly softwood lumber and 391,000 cu. m meters of the total lumber came via the same route. Softwood lumber comes primarily from facilities in Irkutsk Oblast (196,000 cu. m), Chita Oblast (118,000 cu. m), and Buryatia (51,000 cu. m). Hardwood lumber comes from Primorsky Krai (60,000 cu. m) and Khabarovsk (16,000 cu. m).

There is a paucity of data on exactly where and how Russian wood is used in China. One analyst estimates that at least half of all the logs imported by China are distributed and processed in three provinces of Northern China: Heilongjiang, Jilin, and Inner Mongolia.¹¹ Of this total, Heilongjiang processes about 80%. Part of the reason for China's reliance on Russian wood is that the forest species in the Russian Far East and Eastern Siberia are similar to those in northeastern China. The 1998 logging ban brought severe harvest restrictions to many parts of China, particularly the Northeast. From 1991 to 2001, timber harvest in Heilongjiang shrank

by half to about 4.2 million cu m. The hundreds of Manchurian sawmills and processing facilities quickly found themselves in short supply of raw material, but now have found the similar species across the border eminently suitable.

A Chinese government development strategy appears to be to develop a wood manufacturing center in Northeastern China, by modernizing existing facilities and spurring the creation of new ones. Most of the existing facilities remain under the control of provincial and municipal state forest management units even though many they have been largely converted from wholly state-owned enterprises to joint-stock companies – often with controlling interest held by the state. The provincial governments and Chinese forestry agencies have also been instrumental in setting up the mushrooming timber processing mills that have appeared along the Chinese side of the Russia-China border. Finally, the Chinese government has adopted a new state program to modernize existing large pulp and paper factories throughout Northern China. All of these efforts are clearly designed to take advantage of inexpensive Russian wood.

One of the major reasons why Russian wood is so hard to track is due to the complex Chinese distribution system for logs and lumber. Most Chinese timber importers are situated in Manzhouli, Earlianhot, or Suifenhe and almost all are intermediaries or traders. Of the 500 importing companies listed in Russian customs statistics, less than twenty are direct users of the wood. Despite the large number of traders, many are related, reducing the number considerably. According to one estimate, about 60 trading companies control over 80% of the Russian-Chinese trade.¹² Most of the larger trading companies are either wholly or partially owned by provincial and prefectural governments. But the loose arrangements between the smaller entities and the larger companies make it not only extremely difficult to determine who owns whom but also greatly complicates efforts to determine who is buying wood from where.

This is further complicated by the fact that these trading companies sell approximately half of the timber they import in large timber exchanges to domestic wood wholesalers. These wood wholesalers may sell directly to a processing company or they may resell to the more than one thousand other timber exchanges located throughout China. It is also not uncommon for this timber to be sold two or three times before it is ultimately consumed by the end-user. To add further to the complexity, Russian wood can be mixed with domestically produced timber once it enters China. For international retailers (and for the Chinese companies that supply them), who have promised their consumers sustainably produced timber or even transparent custody chains, this presents a thorny problem, and one that can only be resolved by either processing timber close to where it was sourced or at least directly linking Russian producers with Chinese processors.

Japan

Barring significant restrictions of a Japanese housing market collapse, Russian log imports will remain steady at about 5 to 7 million cu. m per year. Unlike the China trade, exporters ship wood to Japan from a great number of locations, although many of them are small. Nakodka port alone handles about one-third of the annual trade. The timber is primarily pine from Eastern Siberia and to a lesser degree larch from Amur Oblast. The ports of Vladivostok and Vostochny (in southern Primorsky) annually export from 600,000 to 700,000 cu.m and from 400,000 to 500,000 cu. m respectively. About half of this timber comes from Eastern Siberia and half from the southern RFE. Timber exported from Vanino (700,000 cu. m to 1,000,000 cu. m) comes mainly from Khabarovsk Krai and Amur Oblast. Then there are the smaller coastal ports in Khabarovsk, Sakhalin, and Primorsky region, which almost

exclusively export timber logged from nearby forests. Among the largest in Khabarovsk are Nikolaevsk-on-Amur (300,000 to 400,000 cu. m) and De-Kastri (250,000 to 300,000 cu. m) and in Primorsky are Plastun (400,000 to 500,000 cu. m) and Olga (100,000 cu. m). Sakhalin ports, including Korsakov, Poronaisk, and Kholmsk, export a total of 400,000 to 500,000 cu. m per year.

Although Japan's import of Russian timber has recently been foreshadowed by China, the impact the country has on the region, particularly the Primorsky and Khabarovsk regions, should not be underestimated. Much of the timber logged in the biodiverse Sikhote-Alin region, particularly along the eastern coast, is for the Japanese market. Terneiles' current plan to log the entire Samarga River watershed is to supply the Japanese, not the Chinese market. Japanese demand for quality has necessitated logging of only the largest diameter timber, which grows primarily in the Sikhote-Alin region (and to a lesser degree in Irkutsk Oblast). Therefore, the localized impact of Japanese consumption is very significant. Finally, Chinese sawnwood, plywood, semi-processed housing materials, and furniture exports to Japan are increasing. A good portion of these products are made with Russian wood. Japanese impact on Russian forests, therefore, extends beyond direct Russian-Japanese trade.

South Korea

South Korea imports about 90 percent of its timber products, including about 9 to 10 million cu. m of logs each year. Russia has quickly become the country's second largest log supplier, passing Chile two years ago, and now trailing only New Zealand. In 2003, South Korea imported about 1.7 million cu. m of logs, more than triple 1994 imports. Russia ships logs from ports in the RFE to the South Korean ports of Pusan and Incheon. South Korean imports will likely increase, since Russian old-growth timber is higher quality than New Zealand plantation timber but costs about the same. Unlike their Japanese counterparts, Korean timber importers place a premium on price rather than quality. Demand for medium- and pulp-grade logs, therefore, is high: Korean manufacturers often convert larch pulp logs into sawn timber, for example. About half of the timber export to South Korea comes from ports in Khabarovsk (Vanino, Sovetskaya Gavan, Nikolaevsk-on-Amur, and De-Kastri), with much of it coming from nearby forests. About 10 to 20 percent of the timber is shipped from Sakhalin ports, perhaps reflecting the close business relationship between South Korean companies and the large local Korean community in Sakhalin.

Conclusions

Russian raw log export dependence bodes ill for the future of Russian industry, for the communities that depend on the industry, and for the health of Russian forests in general. Closely connected to this dependence is illegal logging. With an internationally competitive processing sector in places, many analysts believe that illegal logging would decline. More (and better paying) jobs would be created, reducing the need to poach timber to survive. The timber would be processed more closely to the source, which would make it easier to discern where it was harvested and reduce opportunity for the inflow of illegal timber into the supply chain. But the prospects for rejuvenating Russia's antiquated processing facilities look gloomy without large-scale reform on many different levels. Only a few can be mentioned here. First, many Russian entrepreneurs invest their final profits abroad - part of Russia's capital flight - rather than reinvesting in necessary items for the industry, such as wood-processing equipment. This is partially due to an outdated tax code, which makes it extremely difficult for honest companies to achieve profits, but it is

also attributable to the continued corruption and illegality that pervade the Russian economy today. Corrupt officials, who benefit greatly from current arrangements, are resisting sectoral reform. Finally, and perhaps most importantly, the Chinese government and private enterprise are investing aggressively, modernizing and expanding their own wood-processing capabilities. With lower labour costs, a more stable energy supply, superior road and rail infrastructure, and better access to international finished wood products, China will pose stiff competition to Russian wood-processing enterprises.

Russia does have its own advantages though. Most notably, the wood, for obvious reasons, can be processed much more closely to the harvest site, greatly reducing transport costs. These savings alone could be enough to offset China's lower labour costs. The Russian government can also take measures to protect its processing industry, much as China does, through tariffs. China encourages the import of logs by requiring full import duties and value-added tax (VAT) on lumber, but zero import duties and only a reduced VAT on roundwood.

When assessing prospects for Russian regulatory changes designed to reduce illegal logging and generally improve forest practices, change may come not through internal reforms, but rather from outside the country. The impossibly long and opaque chain of custody from harvest site through the multitude of transporters, exporters, importers, wholesalers, and other intermediaries and finally to the Chinese processors should be unsettling to the international retailers with environmental standards who purchase products from these suppliers. With the proposed pressure applied and necessary information supplied, these retailers may require their suppliers to take measures to ensure environmental performance, such as a transparent chain of custody and the assurance that the timber was harvested in accordance with Russian forestry regulations. Such demands could lead to significant changes in how forests are logged in Russia and could give forest certification efforts a much-needed boost.

Chain of Custody Issues – From the Russian forests to the international market-place

Much of the logging underway in Eastern Siberia and the Russian Far East is taking place in frontier or intact forests and much of it is illegally felled or exported. Suifenhe Trading is one of the largest of the Chinese trading companies who import Russian timber and, like the other traders, sells about half of its timber to domestic wholesalers at large timber exchanges situated at the major railway junctions just across the Russian border, including exchanges in Suifenhe, Heihe, Manzhouli, and Erlianhot. While it should be theoretically possible to purchase logs and lumber at these exchanges that has complete chain of custody information, Forests Monitor site visits to these exchanges indicate that the timber from harvesting sites from all over Russia are mixed together when the logs are sorted.

There is a bewildering array of chain of custody arrangements, complicated by the more than 2000 harvesters and 2500 traders and exporters involved in the Russian-Chinese timber trade. This makes it virtually impossible to trace the timber back to the original harvest site. A common scenario demonstrates this complexity: To fulfill a log order from a Chinese importer, a Russian timber exporter purchases pine logs from both small and large timber harvest companies as well as from a number of intermediary companies who may buy timber from a commercial logging operator, such as the forest service, and from an illegal logging operation. Small timber traders, many of whom do not have export licenses, can also sell their timber to this exporter, further complicating the mix. While Russian forestry regulations require that a Russian harvest license or ticket accompany the transferred timber, it is not uncommon for traders and exporters to create false documents, or use tickets from legitimate timber enterprises to legalize the illegally harvested timber.

According to a senior representative of Lianing Wanrong Trading Co. Ltd, the quasi-governmental company annually buys about 1 million cu. m. of pine and birch logs and lumber at the Suifenhe and Manzhouli exchanges. When pressed, the representative admitted he had no idea where exactly in Russia the timber was harvested. The wood is used to make picture frames in Lianing's factories in the cities of Dalian and Qingdao. Lianing produces about 15 million pictures frames yearly and sells most of them to IKEA. About one million frames are also sold to Intercraft Corporation, a subsidiary of Newell Rubermaid, which in turn supplies Walmart Corporation.

If international companies such as IKEA and Walmart were to insist that their Chinese suppliers cease buying logs and lumber at the timber exchanges, where legally logged timber is hopelessly mixed with illegally logged timber, and work directly with Russian timber companies, then it would be easier to implement effective chain of custody measures. IKEA now buys more products from suppliers in China than any other country and according to industry analysts this percentage will increase as IKEA relentlessly lowers costs. Chinese suppliers specialize in smaller items (e.g. picture frames, dish racks), with much of the birch, pine, and spruce used to make these products coming from the forests of Eastern Siberia and the Russian Far East. Cracking down on the purchasing practices of Chinese suppliers would have a ripple effect throughout the Russian timber sector, forcing both government and the industry to clearly identify where the timber is coming from and to accelerate forest certification efforts.

4. Forest governance issues in the Russian Far East and Siberia

During the course of field work undertaken in the Russian Far East and Siberia in 2003 and 2004, a number of key governance challenges were identified that need to be tackled as a matter of urgency. Boxes 4.1 and 4.2 summarise field work findings and provide insights into some of the myriad problems facing the authorities, legitimate industry and civil society. These problems need to be tackled in order to develop a forestry sector that brings lasting benefit to the people of Russia whilst protecting unique and internationally important forest ecosystems. This project has marked the start of civil society efforts to engage with these issues. Now government and industry must join with civil society to continue these efforts if Russia is to have an environmentally and socially sustainable forestry sector that contributes positively to the economic and social wellbeing of its citizens.

As a result of 22 field visits during two years, the following broad challenges were identified:

1. Corruption and bribery are prevalent. The complex sets of factors that facilitate corruption and bribery must be identified and addressed as a matter of urgency.
2. Laws and policies are often contradictory. Clear direction must be given by government at all levels to protect forests and promote only environmentally sustainable activities.
3. Monitoring and enforcement are weak. Authorities should work with civil society and industry to monitor forestry activities and prevent anarchic, illegal and unsustainable operations from destroying opportunities for sustainable enterprises.
4. Civil society should be strengthened and be actively involved in the development and implementation of forest policy. As demonstrated by this project, civil society can play a key role in monitoring illegal and unsustainable forestry on the one hand and identifying environmentally and socially sustainable forestry activities that bring economic benefits to communities on the other.

Illegal and destructive logging in the Russian Far East and Siberia

Report by BROCC based on field visits in 2003 and 2004

In the southern parts of the Russian Far East and Siberia an industry in illegal wood-cutting is flourishing, partly because of the reliable support it receives from corrupt authorities and Chinese dealers. Even though the outlaws are stealing wood from legal tenants and occasional users of the forests, nobody in the area is able to crack down on their activities; according to many members of the local authorities, both Russia's civil and criminal law codes offer reliable protection to all this criminal activity and to any property acquired in the process. On the contrary, no one tries especially hard to stop the outlaws' activities, since the proceeds from the theft of the wood are redistributed among the whole population sooner or later.

The clearest indicator that illegal wood-cutting is going on and that the proceeds are being redistributed is the level of unemployment in certain districts. According to data from the Employment Service, in the Krasnoarmeiskii raion (district) of Primorje Krai, employment stands at 14%, while throughout the krai (region) as a whole it is 3.5%. However the standard of living is much higher in the districts with a relatively high level of unemployment. In conversation with a specialist from the company IMAKOM, one of those who took part in the swoop on NGO BROCC (Bureau for Regional Outreach Campaigns), reveals that for him, just as for many other residents of the district, the problem of illegal wood-cutting simply does not exist. In



Cedar logs in Roschino

Soviet times, several times more forest was cut down than is cut down now. In addition, those who work for law-abiding forestry companies have the option of topping up their wages every month by cutting down protected species or forests outside of permitted areas, and no one passes up this opportunity.

Therefore the competition between these workers and their counterparts from outside the area to cut wood illegally is becoming so fierce that both state

and non-governmental, ecological organisations are getting involved and anti-poaching detachments are being funded. Many locals believe that illegal wood-cutting has passed its peak; partly because there is not much commercially viable forest left in relatively accessible areas and partly because of the vigorous hunt for the illegal wood-cutters.

In the village of Roshchino, conversations between BROCC and the state procurement officials are wholly dominated by references to the Cedar inspection team. This team was moved two years ago from the state-run ecological monitoring services to the Association of Forestry Product Exporters (PALEKS), which was set up by the exporters at the instigation of the krai authorities. PALEKS in its turn funded Cedar so that Cedar could bring to light and take into custody illegal wood-cutting teams and their booty. However, since Cedar lacked any official authorisation to investigate people or make arrests, the companies within PALEKS became less and less willing to fund it. In particular, in the Dal'nerechenskii district,

no funds were forthcoming at all, and so Cedar has moved operations into the Krasnoarmeiskii district. According to local residents, the work of Cedar is no more successful there either. When the head of the team is away, his staff, who earn 200 dollars a month, behave just like the local militia (police) or ordinary foresters: they extort money from the illegal wood-cutters and ignore huge numbers of infringements and the felling of protected varieties of tree.

The village of Limonniki has about 250 inhabitants. 10 of them work in forestry, 7 in the school, and there are 3 other salaried public sector workers, making a grand total of 20. The illegal wood business employs 16 people, in addition to which, Gennadii employs 4 in his shop and bakery, 10 in his garage, 4 administrative staff, and one carpenter. In other words, the illegal wood business keeps 35 people in permanent employment and another 10-15 are regularly hired for temporary work. The illegal wood business started when the district authorities took away official wood-cutting areas and put 18 people out of work. The rest of the village is made up of children, pensioners, and those who earn a living working in migrant gangs of wood-cutters. All of them live off the non-wood products of the forest. They collect cedar cones, roots, berries, and catch fish. In the area surrounding the villages of Limonniki and Izmailikha as many as 50 people have bee-gardens. The roads in this part of the district are almost completely beaten up by timber trucks. The district



Timber truck on the road in Sikhote-Alin, Krasnoarmeiski

authorities have their own men amongst the illegal wood traders and the illicit profits are shared with the district authorities. Therefore local illegal operators are able to buy the official documents relating to the forest that they are planning to fell from "their" man in the militia. The money paid stays within the local economy. If it were handed over to the state in tax, it would disappear out of the district. Equally if

the policeman were to receive the requested bribe from someone else, most likely a Chinese or some other newly-arrived timber thief, the timber would still be stolen, but people from outside the district would benefit.

If a plot of land contains less than 10-20% protected cedar or lime (linden), the forester has the right simply to record this in the relevant documentation, and by so doing is allowed to perform wood-cutting. In any case, a forester officially earning 70 USD a month, will turn a blind eye to anything in return for money. Confiscated wood makes its way to wholesale depots and from there to China. At the depots, which are strictly monitored by the krai and district authorities, all timber which arrives without documentation becomes legal. The depot owner will pay officials to ensure that this timber is directed to his depot and pays part of his profit for the official documentation. The price which he has to pay per cubic metre of timber confiscated from the illegal wood traders is always negotiated with inspectors. This

sum ensures that the owner will be protected against all the inspectors in the given district.

Any businessman who wishes to take a plot of land on a long lease can use a variety of methods over and above approaching the krai authorities. For example, he may invite a representative of the forest management unit containing the plot or some other qualified person into the relevant forest. They select a plot and write to the Forestry Agency that is a part of the Ministry of Natural Resources (MNR). Many months later, the MNR gives permission for wood-cutting to be carried out on the plot. The businessman then has to gain the consent of the krai authorities and the Forestry Agency, which will issue the appropriate instructions to the management of the stand. This is a surefire method to ensure that he gets the plot he wants, but it costs money; each krai official and Forestry Agency manager charges 2 USD per cubic metre of deciduous forest and 1 USD per cubic metre of coniferous forest. If the krai officials get involved while the letter is still being written to the ministry then the charges are 4 USD and 2 USD respectively.

According to BROCC, the militiamen at the district level, the members of the Highway Patrol Service, and the Tiger and Cedar inspection teams, the bribe for letting timber trucks with illegal timber on board pass ranges from 500 to 1000 roubles (17 to 34 USD) per truck depending on whether the illegal trader transports illegal timber along the same road regularly or as a one-off. An inspector in the Forestry Agency will get even more: 100 USD for three trucks. What is more, the forester and the timber merchant will typically want to get excess wood through under the same documentation in order to boost their illicit income. They come to an agreement that the actual wood-cutting area will increase in size from 10 to 30 hectares. The timber merchant will give the forester 10 USD per cubic metre obtained from the 20 "excess" hectares, this being the rate at which this so-called "tax" is levied throughout the district. It is not advisable for the businessman to deceive the forester, because he brands the trees which lie within the additional plot and knows as a result how many cubic metres of timber it contains. When the timber reaches the customs point the quality of the wood is often understated as Grade 3 rather than Grade 1 and the size of the shipment is understated significantly. Practically all exporters do this, in return for which the customs officials receive a bribe and thereby divert money from the exchequer.

According to local journalists from Amur oblast (region), the illegal timber trade was under the protection of the local militia until 2003. Any illegal timber impounded by Department against Economic Crimes is sequestered and resold by firms which work on behalf of militia officials. Until the year 2000, large plots of wooded land in the oblast were let on 49 year leases to Chechens, Armenians and Chinese. At 1992 rates the bribe extracted was 140 roubles per cubic metre. The two largest timber companies in the oblast are Zeiskii Timber Enterprise and "Tyndalet" stock company. Tyndalet's staff is largely made up of Koreans and on the Baikal-Amur railway there are villages inhabited solely by Koreans where Russian laws do not operate. Repeated attempts to point out to the governor of the oblast that it is vital to keep timber processing within the territory legal have been met with incomprehension.

From time immemorial the people of the north of Amur oblast have survived thanks to reindeer-breeding, timber processing and hunting. At the present the hunters are just about surviving (a Grade 1 sable is worth 1200 roubles, a Grade 4 - 600) but the situation is much worse for the reindeer breeders. In one local state farm there are at most 400 reindeers, as compared with 5,000 15 years ago. The monthly salary in the farm is 500 roubles (17.85 USD). The local hunters are outraged when timber men appear in their hunting-grounds and the wildlife disappears into other districts.

For example, to the north of Is, which is a station on the Baikal-Amur railway and borders Khabarovskii krai, Chinese workers are processing timber for the “Sever – Invest” stock company. According to members of local NGO Ulukitkan, in the northern regions Chinese and North Koreans are killing dogs, red-bellied musk deer and other wild animals, all on an unlicensed basis. There are also rumours that they are importing large consignments of heroin from the People's Republic of China. There are often skirmishes between the Koreans, the Chinese and the Russians, which can involve shooting. Timber trucks depart across the ice from the international port of Poiarkovo on the river Amur every two days, in groups of 10 lorries, bearing Chinese or Russian number plates.

The largest quantity of illegal wood-cutting in its purest form goes on in the Svobodnenskii and Shimanovskii districts. This is partly because it is forbidden to fell pine trees, which are in great demand in China. The teams of illegal loggers use similar methods to those used in Primorje krai district: they despatch motorcycle scouts, then woodcutters, and then take the timber to the nearest reception point by night. They also commit acts of deliberate arson, so that pine can be felled as part of ostensibly sanitary felling operations. There are two large wholesale rail shipment depots in Belogorsk. Advertising boards saying “Timber Reception Point” are visible throughout the town. According to BROK, timber trucks carry logs (two thirds of which are larch, one third of which is birch) along the Belogorsk-Norsk-Fevral'sk route towards both the Baikal-Amur railway and towards Belogorsk and the Trans-Siberian railway. Every 15-20 kilometres they find large tyre prints from trucks or trucks themselves, some of them Chinese. The inhabitants of the village of Norsk take a very dim view of the wood-cutting along the Baikal-Amur railway. They all say that the director of the Norsk forest management unit allows anyone who is prepared to pay to cut timber. In a meeting he explained that across the whole oblast, it is permissible to allocate a quota of 1,200,000 cubic metres of timber to foreign citizens (Chinese and Koreans) for them to cut. Both the director and the public prosecutor have identified cases of theft of small amounts of wood and its transfer to Chinese inspectors in the village. Most of the wood-cutting and export of wood from the district happens between the end of December and the end of March/beginning of April, because that is when the wet roads are passable (frozen).

North Koreans have been working in Amur oblast since the middle of the 1970s. They work for Tyndales in the Norsk, Tyndinsk and Urushinsk forest management units (FMU), where wood-cutting is carried out on a large scale. Their work is more thorough than that of their Russian and Chinese counterparts. Their large-scale wood-cutting operations in the hills along the Baikal-Amur railway are starting to have knock-on effects. Within the Norsk FMU the companies Sever-Invest and A-Viking have attracted roughly 100 Chinese timber workers each to work for them in teams. The Chinese get into illegal timber trading and incite locals to steal wood too, at low prices and in small volumes. During inspections of their wood-cutting areas the Chinese avoid speaking Russian, cheek the foresters and inspectors and generally behave with extreme insolence. Their way of doing business is similar: they charge the maximum price for larch and fir in October/November, when it cannot be processed because the roads are impassable, but in December/January the price falls sharply.

In 2001 all timber tractors and trucks in Amur, including the Chinese ones, were registered and given numbers. This meant that firms amalgamated and became, on average, more law-abiding. Beyond Turan, where there are no roads, there are more than 200,000 hectares of virgin forest. However in 2004 two newly-strengthened firms based in Khabarovsk laid claim to the unclaimed lands bordering Khabarovskii krai and are already prospecting forest reserves. When a local lessee does not have the technical wherewithal to carry out timber cutting or processing

himself, he will hire contractors, from the Primorje area, from Khabarovsk or the Ukraine, and pay them 4-5 USD per cubic metre of larch to cut the wood under his supervision. There is a high rate of injuries suffered at work as many of the wood-cutters lack the right skills. There are many damaged trees on the plots and the remnants of the wood-cutting process are burnt in massive fires on site.

In Novobureisk alone, a flying detachment counted 10 unloading sites, 2 of them Chinese, where timber is unloaded without any of the necessary documentation, for cash, at any time. On one of them stands a Chinese power-saw bench. Wild brigades steal timber not far from the roads. The Chinese buy larch for 300 roubles per cubic metre. Most of the lessees and timber workers are newly arrived from elsewhere: for example, in Talakan there are Ukrainians. In the plantation there are 37 lessees, of which only 7 actually process wood, mainly for the Russian domestic market. A worker in a local plantation said that it is strictly forbidden to state the actual number of forest fires and that as a result the area affected is understated in the records by at least a multiple of 3. It is also forbidden to say that a fire lasted for more than 3 days. In the records the fires are broken down into smaller fires, which were ostensibly successfully put out.

Khabarovsk krai's Minister for Natural Resources also attests to the widespread use of arson to obtain wood illegally. Mobile, well-equipped teams of wood-cutters go deep into the taiga, including into protected areas, choose the best trees, sell them to the Chinese, and then set the scene of the crime on fire to cover their tracks. The opposite ploy is also used, whereby forest is set alight, and then FMUs accept timber from the burnt area as though it were part of a sanitary wood-cutting exercise. As a result of this turnover in timber, Krasnoyarsk krai loses 6 million USD per annum, more if the results of fires are included. In the local newspaper, "Zaria", the Deputy Head of the State Internal Affairs Directorate for Krasnoyarsk Krai, Aleksandr Gorov stated that approximately 80% of timber processors carry out their work illegally. In his words, the State Road Police Inspectorate audited timber processors in the krai in a special operation and found that there were about 100. Disappointingly, there were 894 timber trucks without the official paperwork. The State Forest Agency carries out an average of 17,000 compliance checks every year on people using the forests in all sorts of different ways, finds 4,000 infringements, and carries out 350-400 raids by interdepartmental operational groups. To monitor the activities of major timber producers in areas of high timber production, aerial photographs are taken of an area measuring approximately 20,000 hectares each.



Log trail in Udege Legend

Working together, local FMUs, the local authorities and the Internal Affairs departments of Krasnoyarsk krai set up 80 forestry control points (30 of them permanent) in 2002 to monitor movements of timber by road. They also set up 92 operational teams, which uncover up to 50% of the infringements of forest regulations detected annually. All this is paid for by the FMUs themselves. However, these measures have not achieved the desired results, as may be seen from the ever-increasing infringements of forest regulations. In 1995 the State Forest Service (Agency since 2004) registered 179 infringements; in 2004 the figure became 447, resulting in losses worth 93.9 million roubles (3.35 million USD). The average amount of illegal wood cut was 135.6 cubic metres. Comparing the amount of wood known to have been felled illegally (101,300 cubic metres) with the total amount felled in the Irkutsk oblast' in 2002 (17.2 million cubic metres), the scale of timber theft may seem insignificant (0.6%). However, this is only the tip of the iceberg. Unhealthy forest has no commercial value, therefore in order to survive, the heads of FMUs are forced to cut down healthy forest. The situation is the same even in the national parks, where commercial felling is forbidden, but felling continues along the shoreline of Lake Baikal and the Tunkinkii valley (see the next chapter) in the guise of sanitary felling. The revenue obtained by the illegal wood traders is much higher than the salary of a forester. Therefore the foresters allow felling to be carried out on plots and the overall size of the forests to be reduced in a wholly unsustainable manner.

Strictly speaking the forest is felled not just for sale, but also to meet to the needs of the population and municipal institutions. However in Irkutsk oblast there have been cases where heads of the local authorities have illegally assigned commercial organisations a plot or plots for their use. The rate for stumpage fee was 16 roubles (57 cents) per cubic metre in 2002. At the same time, the market price per cubic metre varied from 40 to 60 USD cash (1119 – 1678 roubles). This meant that the expenditure caused by non-payment of tax was almost halved. It is clear from these figures that while illegal felling is not big money to the criminal fraternity, selling it illegally is. According to the deputy governor of Irkutsk oblast, Larisa Abrozkaia, 49% of all timber exports are illegal. To stop illegal wood-cutting and infringements

of export regulations, the local authorities have set up a Forest Exchange in Irkutsk. However there is no evidence that it is working. The oblast authorities have done nothing to combat the illegal timber trade other than to set up a forest militia, which is only able to fish out transgressors. The rest of the authorities' activities have been confined to talking about introducing triple or quadruple levels of monitoring the trade in wood at all its various stages, increasing the length of customs inspections, and creating a computerised database to verify whether documents are genuine or not.

According to the Chita Oblast Forestry Service, 1.4399 million cubic metres of wood were felled in 2003. It registered 883 infringements of forest regulations, the average volume of wood felled in which was 46,400 cubic metres. Another 30,700 cubic metres was felled by persons unknown. Since 1999 round wood has formed the basis of the export trade, the only partner in which is China. People registered in other regions of the Russian Federation have made declarations of goods in every customs-house in the oblast. In a similar way, exporters registered in Chita oblast often undergo customs registration in the zone of other customs agencies.

Illegal logging in Tunkinski National Park

Report of field visits by FSF

Tunkinski National Park is an area rich in cultural and natural potential. Created on May 13th 1991, the park comprises 1,168,000 hectares and contains a high proportion of relatively intact boreal forests that are currently under serious threat from commercial logging operations.

However, despite the important role the park plays for the region and the fact that the park regulations strictly prohibit commercial logging, most surrounding villages are involved in logging operations. This, together with the shortage of park staff to effectively control illegal activities, have led to the increase in incidents of commercial logging in the park. The NGO Friends of Siberian Forests (FSF) visited Tunkinski National Park three times during 2003 and 2004, in order to monitor illegal logging activities and work with local activists to lobby authorities to crack down on illegal logging.

During FSF's first visit in June 2003, GPS and videotape were used to document evidence of illegal logging in the vicinity of the village of Arshan, which is situated within the park boundaries. Local villagers showed FSF trees that had been felled several days previously.



Saw mill in Zun-Murino

Further questioning of the local villagers revealed that the illegally harvested timber is processed on the spot and is exported to China thereafter. FSF also observed several active sawmills in the nearby village of Zun-Murino. The villagers gave us to understand that the local authorities are aware of the illicit timber production activities. Following this, the team met with Mr. Victor Chimitovich Manzaraksheev, the head of the local administration, who was defensive about the issue and referred us to a local forest ranger in Arshan.

The ranger, Bagulov Nikolai Alexandrovich, seemed a lot more concerned about commercial logging. He explained that the staff of 98 rangers is not enough to cover the vast area of the park and ensure effective control of the situation. He also mentioned that the park rangers are not authorised to instigate legal proceedings against the offenders unless they are caught red-handed. Mr. Bagulov also pointed out that even in cases when legal proceedings can be and are instigated, the local authorities tend to suppress them.

In the course of the initial assessment, several issues regarding the activities in the park were raised:

- There are clearly issues with the transparency of logging operations. Corruption occurs at all levels including regional authorities. This is a serious problem that needs to be addressed at the federal level.
- Secondly, there is a conflict between the failure to cancel logging operations and the management of the park. A solution may be to prohibit all types of activities that are in contradiction with the park management plan.
- Thirdly, local authorities do not possess the required ability to control the activities of timber producers and ensure they are acting within the law. This problem could be resolved by supplementing financial and human resources.



Illegal logging in Arshan

In August 2003, FSF conducted investigations together with colleagues from Krasnoyarsk, Ulan-Ude, and representatives of a local society from the Tunkinsky region of the Republic of Buryatia. They confirmed the fact that illegal activities are taking place in the park, namely in the village of Arshan and other areas. Two months previously, the first investigation had been conducted. The team reported that the situation had changed for the worse. Moreover, the team uncovered fresh evidence of illegal logging.

During the second investigation the team confirmed the fact that illegal logging was taking place, not only in the vicinity of Arshan but in other areas of the park. The team also discovered several places where wood had been burned, presumably to destroy the evidence.

After talking to the local villagers it became clear to the team that the illegally harvested timber is processed on the spot and then exported to China. The people suspect local authorities of being involved in these illegal activities. During the second investigation, the team attempted to meet with the head of the local administration, Mr. Mansaraksheev, to discuss the issue again, but he refused to see us. We could not meet with the local ranger, Mr. Bagulov, as he was on holiday at that time.

The team, however, managed to visit Keren – a district centre of the Tunkinski region. They visited the park office and met with Ms. Nina Nikolaevna Krakhmal, the head ranger. She was very helpful and understanding and agreed that the illegal logging in the park should stop, but that would be impossible because the local and regional authorities are involved. Nina Krakhmal said that a year ago the head of the local administration was fired because of his involvement in the illegal logging, but his replacement turned out to be even worse and the logging has increased since then. She also said that the government of Buryatia wants to change the status of the park from national to regional. At the moment the park is under federal jurisdiction, being part of the Ministry for Natural Resources. If it became regional, the government of Buryatia would have full control of the park's resources.

The team also met with Zinaida Mitrofanovna Shvedova, a teacher from Zun-Murino, and Olga Petrovna Shoboeva, a local club director. They both agreed that illegal logging should be stopped in the park. To achieve that they have tried to raise awareness among the local villagers, which proved difficult because the majority of the local population are unemployed and many suffer from alcohol abuse. Moreover, the local police have not been of much help as they support illegal logging in the park. Afterwards, the team visited Bodarsky Bor (situated between Arshan and Keren) where they discovered fresh evidence of illegal logging.

In July 2004 the team visited the park for the third time.

As a result of the investigations, the team collected evidence of numerous illegal activities in the park. There were suggestions made to improve the situation, which were sent to the Ministry for Natural Resources, the government of Buryatia and the president's representative in Siberia. One of the team members, Valery Tolstikhin, a journalist from Ulan-Ude, made a radio series on the plight of forests in Tunkinsky National Park. As a result of the series, the park director Zyrenov was fired on the 12th January 2004. Nina Krakhmal was temporarily assigned the post as an interim director.

Although logging operations continue, it has decreased in 2004. We have not found any fresh evidence in Arshan which would have been the norm a year previously. However, logging operations continue in other areas of the park. Evidence of this was found on the sacred mountain Mon in the vicinity of Zun-Murino. The majority of people we talked to during our visits do not approve of illegal loggers, but some justify their activities by saying that logging provides work for the unemployed.

Once again we met with Nina Krakhmal, and Mr. Alexei Bardashov, the deputy director of park security, who said that even though the total amount of illegal logging has decreased compared to the first half of 2003, it still remains a threat to the park.

In 2003, the authorised amount of logging was 42,000m³. Authorised logging operations took place during the day, whereas unauthorised logging took place mostly during the night. The park rangers conduct night raids, sometimes together with the police, but none of those raids had been successful, presumably because the police tip off the loggers beforehand. In the past, the park rangers conducted raids themselves, arrested offenders and even instigated legal proceedings against them, but those cases never reached court or if they did the offenders were never convicted. So the situation in Buryatia remains the same as in other regions of East Siberia (Irkustsk and Chita oblasts) and the Russian Far East.

Recommendations:

- Train NGO workers in methods of uncovering corruption and bringing the offenders to justice.
- Raise awareness locally and internationally about the plight of Siberian forests.
- Provide additional financial resources to build capacity to enforce control of logging operations in the park.
- Raise concerns among the local population about the situation in the park and intolerance towards offenders and official authorities that cover the crimes.
- Overseas consumers should question the legality of the products sourced in Russia and only do business with reputable suppliers, preferably FSC-certified

5. An Analysis of the Draft Forest Code by BROC¹³

The idea of revising the Forest Code and of privatising the forests has been in circulation in Russia for a long time. Equally well-established is the opposition of public opinion to the fundamental approach to forest use proposed by the government. As a result of the gradual destruction of the enormous Forest Service the government has lost specialists able to regulate the use and management of forests in line with the latest thinking. As a result, the most realistic and considered approaches to revising the Code are coming from ecological organisations and lawyers.

One of the newest versions of the Forest Code was unveiled on September 16, 2004, in the Russian Ministry of Economic Development and Trade. NGOs submitted fundamental observations about the draft. Although a significant number of these observations were met with understanding, their basic demand for the proclamation and development of a constitutional norm concerning the role of forest resources as a foundation of the life and activity of the peoples of Russia was decisively rejected. The Economics and Trade Ministry refused to discuss the possibility of totally excluding forest lands from the market economy. This refusal forced citizens to mount a broad campaign of public protest against the privatisation of the forests. In the course of this campaign a number of issues with the new draft of the Forest Code were identified, the most serious of which are reproduced below:

1. The possibility that protected forests, including protected areas and nature reserves, might be privatised. The transfer of forests into private hands might lead to issues of public interest (such as the ecological role of these forests) conflicting with the interests of the owner. This is inevitable, since the owner's responsibility for the ecological and social consequences of his own actions is not prescribed in the current version of the Code. The current version forbids the privatisation of some types of protected forest, but the list is short and does not include fundamental categories of specially-protected natural territories and territories earmarked for the creation of specially-protected natural territories.
2. The biggest ecological problem posed by the current version of the Code is the confusion surrounding the status of specially-protected natural territories (SPNTs). It is unclear whether the authors of the Code are including the forests in SPNTs in the Forest Stock or are treating them like forests on SPNT lands, in accordance with the Land Code. The Forest Code contains clauses which lend support to both points of view. Both approaches entail serious problems, if they are applied to all categories of SPNT. If all SPNT forests are treated as being outside the Forest Stock, this complicates the procedure for creating any wooded SPNTs, as the transfer of lands from the Forest Stock to any other category is extremely complicated. Moreover, this would be a fatal blow to regional SPNTs, created by resolutions of regions of the Russian Federation, which form the bulk of SPNTs in Russia. It would become practically impossible to create them since only the government of the Russian Federation has the right to transfer land from one category to another. This would also give rise to conflicts with other existing laws.
3. Article 34 of the draft obliges the owners of wooded plots to carry out forest husbandry, although the same article acknowledges that many forms of forest use may be carried out without any forest husbandry carried out. The obligation on the part of the owner includes the requirement that he carry out

wood-cutting for sanitary and maintenance purposes. Where a significant proportion of Russian forests is concerned, this is simply impractical, because the forests are inaccessible and it would be economically absurd. Moreover, for many categories of SPNT the requirement may conflict with the law on SPNTs and the clauses associated with it. With conservation in mind, this law also restricts the rights of the owner to use the plot belonging to him.

4. In the current version of the Code the procedure according to which lands are transferred out of the Forest Fund into other categories is complex and guarantees an adequate level of protection to forests from large-scale construction projects and other uses unconnected with forest husbandry. At the same time, it is wholly possible for these types of forest use to occur even while the lands remain in the Forest Fund. Moreover it is possible for lands previously covered with woodland to be converted into non-forest. Although Article 28 provides an exhaustive list of the ways in which woodland can be used, a list which excludes construction and the extraction of useful minerals, there is nothing to prevent the construction of villages on rented land, "in order to use the forest for cultural pursuits, health and fitness, tourism and sport." In the same way there is nothing in the current version of the Code to stop the construction of a cottage in the guise of a small hunting lodge on a rented plot "to appreciate fauna." Yet another legal way to build a cottage or prospect for gold in the forest would be to rent a plot on the pretext of "using it for scientific research and educational grounds." The cottage could be declared to be a permanent scientific establishment and the industrial gold mining, a geological investigation. True, Article 62 makes these grounds available only to state organisations and institutions, but this does not present a serious obstacle to taking advantage of them.
5. At first glance, the Code reinforces the right of all citizens to use the forests free of charge without obtaining special permission. They can visit the woods, collect mushrooms and berries, or enjoy cultural pursuits, health and fitness, tourism and sport. However item 4 of Article 37 excludes cases where the presence of citizens in the woods or their collecting resources other than wood would be incompatible with renting the land out or would be detrimental to the owners of the plots. It also makes provision for the restriction of citizens' rights "in the interests of fire prevention, the nut industry, the fruit industry and the planting out of new seedlings." Moreover the owner or lessee can decide to limit citizens' right of entry to the forest without reference to the authorities. All he has to do is "give notice in an intelligible form," which leaves the way open for arbitrary behaviour. There is no reference in the current version of the code to opportunities for citizens to question the owner's decision or of his being accountable should he illegally infringe their rights.
6. Where the responsibilities of those who use the forests and the institutions of state control, the current draft of the Forest Code includes nothing but fastidiously correct verbiage. However the code does review the whole system whereby forest resources are registered and regulated. As a result, all the current methods for controlling wood-cutting turn out to be useless. The implementation of the new monitoring technologies, mainly based on the use of remote technologies, will take years. Until then the wood-cutters will cut as much wood as they see fit, pay no attention to designated wood-cutting areas or other official restrictions, and have nothing to fear.

7. The current edition of the Code continues the tradition of its predecessors by excluding public opinion from the decision-making process where forests are concerned. The only reference to public opinion is in Article 25, which concerns the procedure whereby lands are transferred out of the Forest Fund and into other categories and contains a proposal to conduct public hearings in this regard.
8. The central tragedy of the new Code lies in its liberalisation of forest use and in its granting of considerable freedom of choice as to the methods used to manage the forest. It proposes that once someone using the forest has compiled a forest management plan and formally declared how he intends to manage the forest, he can act completely independently. "State interference in the use of the forest is not permitted, except in circumstances described in this Code and in other federal laws" (Article 34). However the Code explains that the plan must comply with the published forest management system and that any non-compliance may entitle the authorised state organisation not to register the plan. All fundamental types of forest use must be carried out in accordance with technical regulations; if not this may give grounds for the forest use to be suspended (Article 40). According to experts, the contradictory and excessively detailed nature of the current rules and the rigid nature of the forest management system have until now themselves been the cause of some fundamental problems. For example, some of the most ecologically progressive methods of forest management are illegal.
9. Unfortunately, the Code does little to alleviate these problems. Article 75 announces that there is a requirement under the forest management system to look for plots which need wood cutting (for final or intermediate felling) ... Article 75 announces that while forest management is being carried out "plots may come to light which need wood-cutting, [final or intermediate felling...] forest restoration, land improvement, conservation and protection, and so may methods for carrying out this work." The owner of the plot may have a different method for cutting wood on the plot in question. His method may be more rational and progressive than that prescribed in the forest management system, if only because the owner knows local conditions and the particular characteristics of the plot better. However, the method stated in his management plan may be deemed "not compliant with the relevant portion of the published forest management system." The decision will depend on the position of the local branch of "the authorised federal organ in charge of the Forest Stock."
10. The draft of the Forest Code reviews the whole system for collecting information about forests, including information necessary to determine the prices of plots of forest for lease or sale. However it "strikes out" all sources of funding for the forest management bodies responsible for the extremely inadequate funding from central government. This is all the more surprising given that this information forms the basis for all administrative decisions.

There is still a danger that the government will privatise the forests in a rapid and disorderly fashion, although it has finally started to listen to the case against privatisation. The authors of the Code continue to use different ploys to leave the way open for such a privatisation. Ultimately the draft is divided into two sections – the Forest Code itself and the federal law enacting it. The text of the Code still contains all the articles which provide a legislative basis for the introduction of private ownership of forests and of the trade in forests. The draft law enacting the code contains articles stating that private ownership cannot be introduced before the passage of special federal law, "Concerning the Circulation of the Lands Held in the

Forest Fund.” In actual fact the majority of Russian laws are passed without such conditions and there is no reason to suppose that any exception will be made for the Forest Code. The little-understood supplementary law required to enact the Forest Code will probably be neither scrutinised by the State Duma, nor signed by the president. If the Forest Code is enacted without it, a legal basis for the privatisation of the forests will have been created, with no clear rules and no demands made on the new owners. From the current version of the Code it follows that privatisation of forest plots may begin rapidly and be carried out by transferring rented plots into ownership, as opposed to selling them. Where all the other ways of receiving rights to use forest land are concerned, the draft Code clearly lays out a mechanism to determine the price, and it is only silent on the subject of how to do this when the land is transferred into ownership. “To all intents and purposes, the Code gives officials in federal and regional departments the right to decide issues about the transfer of the forests into ownership off their own bat and to create new rules of the game to suit them in each case,” says Aleksei Yaroshenko, the co-ordinator of the Forests Program of Greenpeace Russia. “And this intolerable situation may go on for years, until a law is passed to govern the circulation of the lands held in the Forest Fund. The government hasn’t even started drafting such a law yet.”

Privatising the forests may lead to very dangerous consequences. In regions where a significant proportion of the population depends on the forest for its survival, privatising the forests like this may threaten the very existence of hundreds of forest settlements and villages. The Code leaves the rights of ordinary citizens governing their relations with the private owners of forests wholly undefined.

The absence from the Code of straightforward rules governing the use of the forest leads to the conclusion that privately-owned forests under private management will be managed in a barbaric way. This will give rise to more heated conflicts like the ever-increasing scandals engulfing the privatised timber industry.

6. Conclusion and Recommendations

The main activities of the partners in the project over the last two years have been to concentrate on community monitoring of logging activities and to assess the various manifestations of illegal logging. As a result of numerous meetings and talks with ordinary residents of forest villages, the illegal loggers and official lessees, and also as a result of analysing trends in the implementation of legislative and administrative reform in Russia's forestry sector, the following basic conclusions and recommendations have been made by the Russian partners:

The illegal forestry business, orientated increasingly towards the growing Chinese market, is a complicated mix of social, legal, economic and cultural factors, and is generally a result of the poor, corrupt management of the country, territories and forests and from incomplete legislation. First and foremost, therefore, it is vital that the system that allows bribery and corruption to flourish must be dismantled.

Unauthorized loggers, whose activities the government and large businesses have created a powerful system of monitoring and suppression to put an end to, in fact fall into two basically different social groups or two different models of behaviour. The first group comprises medium and large commercial logging companies, who profit from the illegal components of their companies and are helping to reinforce the system of illegal corrupt links in the territory. The second group comprises small and medium-sized taiga businesses, which are trying to encourage the economic development of their districts and villages, but refuse to pay taxes as this money is almost never reinvested in the district or village. They prefer to distribute part of their income through informal channels in the form of bribes, cash-in-hand payments and investments.

The solution to the problem of illegal logging, therefore, does not lie in tightening up the taxation system, which would produce a mindless "witch-hunt" and only lead to the development of an increasingly complex system of bribes. It lies in the state allowing the second group of unauthorized loggers to become fully legal by redistributing forestry zones in their favour, lowering the obligatory start-up taxes for the businesses and, for example, by creating special district funds for distributing part of the profits made by these small businesses locally.

Society's efforts in working with this group of unauthorized entrepreneurs must be concentrated on furthering their environmental awareness and encouraging the protection of water conservation zones, valuable forests and protected species of trees and the need to develop an integrated system of forest management to decrease the volume of wood harvested. Therefore, society must do everything possible to provide legal aid, information, publicity and administrative support for small businesses that are in the process of legalizing their activities.

As outlined in the draft Forestry Code, the necessary powers should be given to the larger lessees of the forest and also to community organizations working in conjunction with the police to fight against dangerous illegal loggers who destroy the taiga, a group which often includes logging companies from other districts and regions.

The government agencies of the executive and legislative authorities of the federation and the regions must pay particularly detailed attention to developing measures that favour the local wholesale industry and local processors and exporters and to support them in exporting directly to the Chinese market and

consequently boosting their profit margins, rather than continuing to allow the often illegal exploitation of forests by foreign nationals who often enter the country as illegal immigrants.

Civil society groups should be supported by governments at all levels, from the local to the international, to play an active role in forest policy development and implementation, in order to achieve forest policies that protect the environmental goods and services provided by forests whilst also developing environmentally and socially sustainable forest enterprises.

Endnotes

¹ Newell (2004) *The Russian Far East: A Reference Guide for Conservation and Development*, Daniel and Daniel

² See, for example, WWF Russia, 2002, *Illegal logging in the southern part of Russian Far East: Problem analysis and proposed solutions*; BROCC, FSF and Forests Monitor, 2001, *the Wild East: the timber trade between Siberia-Russian Far East and China*

³ Josh Newell, *Forests Monitor*

⁴ See www.forestsmonitor.org/capacitybuildinginrussia/

⁵ Alexander S, Sheingauz, *Forest Industry of the Russian Far East*. (Khabarovsk: ERI 1999). From 1990 to 1997, according to Sheingauz, railroad tariffs increased in the southern RFE by a factor of 22, 107.

⁶ World Wildlife Fund for Nature-Russia Far East, *Implementation of the WWF Forest Strategy* (Vladivostok: WWF-RFE 2001).

⁷ For an extended discussion of this shift, see Josh Newell, *The Russian Far East: A reference guide for Conservation and Development*. (McKinleyville, Ca: Daniel and Daniel, 2004)

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¹⁰ *Ibid.*

¹¹ Lankin, A., *Status and Trends in Forest Product Exports from the Russian Far East and Siberia to China*. 2004, Pacific Institute of Geography: Vladivostok. P.40

¹² *Ibid.*

¹³ With the use of materials provided by Greenpeace Russia and the ANO *Luriks*.

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