



# ILLEGAL LOGGING

## BIRDLIFE AND FLORA THREATENED

Illegal logging is the foremost threat to the survival of forests around the world. The illegal trade in forest resources also means that many countries lose vast amounts of tax revenue, as well as various customs duties and fees. Russia and the three Baltic countries account for the largest volume of illegal exports to the EU countries.

**In the OECD estimates** the value of the global timber trade is said to be €150 billion per year, ten percent of which is estimated to be illegal in one way or another.

Illegal logging is extremely difficult to stop. Trade in illegally logged timber is an international multi-billion euro industry that branches into over 70 countries, from Brazil and Cameroon to Canada and Russia. Between 30 and 50 percent of all timber exports worldwide are of questionable legality. Behind all of this is an extensive chain of organized crime linking sellers, middlemen, and buyers, all with the capacity to bribe and to falsify documents. The World Wildlife Fund, which has thoroughly studied the illegal traffic, believes that the criminal activity in the forestry industry and timber trade is part of a much greater problem that includes inadequate forestry legislation, poor regulatory control, and extensive corruption.

The EU is one of the biggest importers of timber in the world. Timber for all of the lumber-hungry EU countries comes mainly from the Amazon, the Congo, East Africa, Indonesia, the Baltic States, and until recently, Russia. The legal importation of timber from Russia to the EU countries has significantly decreased in recent times because of the hefty export duties that Russia has imposed. A significant part of timber imports to the EU is estimated to be illegal. Globally, the cost of illegal logging (in part due to lost tax revenues) ranges between €10 billion and €15 billion, with the EU accounting for approximately €3 billion of the total. According to the World Wildlife Fund, Finland, Sweden, and the UK top the list of the 20 EU countries that import timber illegally. A significant part of the

importation is indirect, via China. However, timber imported from the three Baltic countries takes a different route. Russia and these countries account for the largest volume of illegal exports to the EU countries, approximately 13 million cubic meters, according to the World Wildlife Fund.

**In 2010 demand for timber** appears to be greater than ever. Prices are heading for record highs in many places. Lumber mills in Europe are finding it difficult to obtain sufficient raw material, in part because of declining legal imports from Russia due to export duties. The export duties in Russia and increased demand from the EU indeed appear to have led to an increase in illegal logging in Russia. The damage from pests in the vast pine forests of British Columbia probably also has an impact on the situation.

For several years the EU has been engaged in major efforts to create a regulatory framework against the illegal timber trade. Now that the EU is trying to stem or even eliminate the illegal timber trade it is encountering a host of businesses of questionable repute that import timber from the Baltic States and other countries in the former Eastern Europe.

**Forest products industrial concerns.** These are large groups with their own industries and often with their own large forest holdings.

**Forest owner associations, which in turn own lumber mills and other forest products industries.**

**Independent lumber mills without their own forests that often cooperate via purchasing companies for the supply of their raw materials.**

**Import agents.** These are companies that exclusively buy and sell timber.

Rarely are importers responsible for the entire chain from logging to delivery at the factory gate. They collaborate with shippers and entrepreneurs in the export countries. Sometimes the shippers are subsidiaries or jointly owned by the importer. In many cases the shipping chains are long and complicated. Every level has external political and other interests that must be met in various ways. Considering the size of timber transactions and how much financial gain is possible by avoiding taxes and other fees, as well as the opportunity to log more than actually permitted, it is not strange that a significant portion of both logging and exports are still illegal.

Illegality in these contexts may mean different things: failure to pay taxes, customs duties, fees, logging on someone else's property, logging in conflict with the regulations of the country of origin with respect to quantity or tree species that may be cut.

**For at least** the past decade the EU has attempted to contend with illegal timber imports by member countries through the EU Action Plan for Forest Law Enforcement,

Conference rooms done in Siberian larch. A Western trend that could give one pause.



Governance and Trade (FLEGT). The goal is to achieve voluntary bilateral agreements between the EU and timber-producing countries and their companies in an effort to deal with the illegal activities.

In early May 2010, the EU Parliament decided to propose that the EU Commission implement a system requiring EU countries that import timber to observe due diligence in order to ensure that the trade is legal. The EU wants to use the FLEGT system to reduce the scope of illegal trade and reduce the use of illegal timber (it is not illegal within the EU to import illegally produced forest products). And moreover, to reduce illegal clearing in a number of key countries, some of which are on the east side of the Baltic Sea. FLEGT also endeavors to prepare a system with licenses, support for financing, and greater accountability from the private business sector.

**Illegal trade** in forest products has been going on for decades, but only in recent times has it become a serious problem for society. This trade is now considered to pose a large global threat contributing to the reduction of forests and biodiversity.

But the illegal trade also threatens the rule of law in a number of countries, particularly countries in the former Eastern Europe, which since the collapse of communism have embarked on a problematic journey of replacing the legal system of a dictatorship with a clear legal system free of corruption and injustice.

According to an extensive study by the Faversham House Group, 45 percent of all timber harvested in Bulgaria comes from illegal operations. Permitted logging is exceeded by 1.5 million cubic meters. Similar conditions can be found in the Slovak Republic and Romania.

Of course, the reason that most EU countries, the US, and China all engage in illegal importation is because it is less expensive than legal importation. As in many other areas, such actions destabilize the market, punishing companies that act legally and responsibly, while tempting them to enter a gray zone of illegality.

In countries where illegal logging and trade are carried out there are good reasons to try to bring it under control – partially for moral reasons, but perhaps even more to bring in revenues in the form of taxes and fees which currently benefit parties other than the government.

In the three Baltic countries and Russia, the problem is in part a culture of corruption in general, but also uncertainty and lack of clarity about ownership with respect to forests and logging rights. Most former Eastern Bloc countries have not even determined who is entitled to ownership of the forest that was privately owned prior to nationalization. The enormous forests of Russia are usually leased from the government by various private companies. The extensive corruption found at all levels in Russia makes it easy to circumvent the laws and regulations concerning logging and the timber trade. And of course Russia's recently imposed export duties do not apply to the illegal trade. Imports from the Baltic States region have increased sharply since the early 1990s, especially from Latvia, which has begun to develop a rather well-functioning forest



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products industry with a clear ownership structure, a prerequisite for legal operations.

Almost 50 percent of the forest land has been returned to private ownership in Latvia. In Russia, however, almost all forest is government-owned and managed by a complex, obsolete bureaucratic machine in which corruption still has a strong foothold.

But even the laws that regulate how and to what extent logging may be carried out in Russia and the Baltic States region differ from provisions found in several developed countries. Consequently, even when Western companies import forest products legally, they may contribute to the depletion of the forests and reduced biodiversity. Countless bird and plant species are threatened with extinction, as are ancient deciduous forests. Moreover, in many cases companies in the West have no idea about the origin of their imports, or how they arrived. The EU is now trying to correct this situation through the FLEGT system.

**The EU imports** almost exclusively round timber and chips. Western Europe imports these raw materials from Eastern Europe. The importing of milled wood and other added-value forest products is very limited, which is one reason that Russia recently imposed export duties.

The Putin government has recognized the necessity of creating a domestic processing industry and not just exporting raw materials like the former colonies.

Price is not the only reason that countries rich in forests, like Sweden and Finland, import timber. Another reason is that forest conservation efforts in countries like Sweden have been skewed in favor of conifers. The pulp factories' demand for deciduous pulpwood cannot be met at this time without imports. Every eighth log delivered to Swedish pulp factories and lumber mills has crossed the Baltic – this means 15 percent of the raw material. Forty percent of all timber cleared in Latvia goes to Sweden.

Large quantities of timber are cut on land owned

by someone else, sometimes even on protected areas, and then sold on the black market. Sometimes logging operations have permits, but take more timber than permitted and fail to declare some in order to escape taxes and fees. Millions of cubic meters are cleared illegally or wind up in a grey zone.

The Baltic States region and Russia have much more old virgin forest than the densely forested Nordic countries. Consequently their forests are particularly attractive to timber thieves. These forests contain vast quantities of extremely valuable trees.

Of course, illicit logging entails considerable revenue losses for communities, affecting all levels due to unpaid taxes, fees, and customs duties. Large sums of money are involved. A few years ago the Russian white-collar crime authority estimated the value of illegal logging at about a billion dollars per year.

Illegal and uncontrolled logging in the former Eastern Bloc also entails a huge negative ecological footprint. Russia and the three Baltic countries still have major natural assets which have been lost in the Central European and Nordic woodlands – and not just tree species, but bird and animal life as well. The white-backed woodpecker, which is almost extinct in the Nordic pine forests, is abundant in the old hardwood forests on the southeast side of the Baltic Sea, as is the black stork, which has not nested on the western shore of the Baltic since the 1950s. ❌

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**Apropos the black stork. Forest conservation in one country cultivates devastation in another.**

