

FORESTRY RESOURCE CONSERVATION NEEDS IN THE RUSSIAN FAR EAST¹

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I am going to talk about forests in the Russian Far East, especially about strategies to promote sustainable forest management. In terms of how we promote sustainable development in the Russian Far East, we need to take a very realistic approach to some of the problems in the various resource sectors. Forestry is a good sector for us to look at as an example of some of these problems and to discuss how we can come up with some answers and some opportunities perhaps, for changing management practices into a more sustainable area.

Background Information

First, let me give you just a little bit of background. I know many of you are already aware of some of these issues and especially about forests in the Russian Far East, in terms of the global significance of the forests of Siberia and the Russian Far East, and here I will take them together because those are the statistics we have. The taiga in Siberia and the Russian Far East covers about 2.3 million square miles or the size of the continental United States and includes more than half of the world's coniferous forests, more than 20 percent of the world's forests overall and 26 percent of what has been defined by World Resources Institute as "frontier forests." Frontier forests have been defined as large, intact, contiguous forest ecosystems. This is only meant to convey really the global focus of some of the forest issues when you look at a macro-scale at Siberia and the Russian Far East, of international involvement in some of the forest management issues of the region.

I would divide the Russian timber industry, *per se*, into three different categories. One category would be the formerly state-owned enterprises that have mostly been privatized into large companies doing timber management in the Russian Far East. Over the last several years we have seen a great growth in the number of small and unregulated timber and trading companies. There has been a lot of concern on a regional level in terms of how to enforce effective controls over those small companies, some of which appear and disappear on a quite regular basis. The third part of the industry is the potential for international influence primarily through large-scale, long-term tenders, concessions of forest lands for up to 49 years, and this is really a developing part of the industry but one that we see as growing in influence very much in the last couple of years. One of the more well known examples is a Malaysian company in Khabarovskiy Kray, which has 48 year rights to an area of 305,000 hectares in the southern part of the region and has recently gained additional territory further to the north in the same region. We are seeing these tenders now come forward in a number of southern regions of the Russian Far East as well as in Siberia and we expect that this is going to have a larger and larger impact on forest management decisions in the region.

Raw Log Exports

One of the issues that we have to confront when we talk about sustainable development in the Russian Far East is the region's dependence on raw log exports. In 1998, more than 75

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percent of the timber was exported as raw logs and there is a lack of local processing capacity within the Russian Far East to create value-added products that would leave greater revenues inside of the Russian Far East. The industry is currently very dependent on the international market for raw wood materials.

We also see a great growth in Chinese demand for wood products. This has occurred largely because China is instituting its natural forest protection program. In this program China is greatly restricting logging activities inside of key regions and key watersheds of China due to environmental problems and the erosion that they have found in the head waters that caused the major flooding in 1998 in China.

The other side of that issue is that China, of course, has a huge demand for wood products and we have been hearing very regular and growing reports over the last couple of years of Chinese traders going up to Russia to increase their trading of wood products. This is especially impacting not only some of the regions that we have been talking about, such as Primorskiy and Khabarovsk regions. I would say that even greater impact is being felt in regions like Amur, Chita, and Buryatia that have not been quite so involved in the trade of raw logs to Japan. In some of these areas the appearance of a new trading partner in the form of China is really increasing logging levels and this is something that bears a lot of watching when it comes to sustainable forest management.

We are also seeing growing Japanese demand, especially in the plywood sector. Now this is another interesting story. Some of the Japanese industry has come under great criticism for the use of tropical wood materials in plywood due to international concern over tropical rain forests. As a result there have been Japanese industry statements to say that coniferous wood materials for plywood are a much more sustainable way to go. Unfortunately, sustainable forest management depends largely on the style of management that is occurring. So, this points to an area for some potential work with Japanese industry as well as with Russian industry. We need to point out ways to insure sustainable forest management in boreal and temperate coniferous forests rather than allowing blanket statements that the management is necessarily going to be better if it is not tropical.

Unsustainable Logging Practices and Technology

Talking about Russian logging practices, in Siberia and the Russian Far East in general, especially as we move out of the temperate forests of the southern Russian Far East into the boreal forests, we note that most of the forests are clear cut. The temperate forests, especially in Primorskiy region and southern Khabarovsk region, have been largely selectively logged in and calibrated for the valuable species. I would not want to suggest to you that the selective logging is inherently more sustainable than the clear-cut logging further to the north. In fact, many of the scientists in the southern part of the Russian Far East believe that the selective logging and hybridizing have significantly damaged some of the forest ecosystems in the south.

Another area that bears keeping in mind is the huge amount of waste in the logging areas within the Russian timber industry. Again, this perhaps points to an area of opportunity in terms of building greater efficiencies into the Russian timber industry and helping to offset some of the problems that they might face in moving toward sustainable forest management.

Another issue is that the technology of the Russian timber industry, as in other industries, is rather old and not very effective in terms of sustainable forest management. Some of the equipment they use has very significant impact on soils. Generally, the industry is geared

toward more clear-cutting types of practices and thus it needs to look into other kinds of technology and practices that can help to promote sustainable forest management.

I would also mention the permafrost issue, and this applies to areas such as Sakha Republic (Yakutia) and the northern Amur region, certainly the northern parts of Khabarovsk region. There needs to be much more work on this issue. There has been some very interesting scientific work especially out of Sakha (Yakutia) which looks at the impacts of logging practices on forests that are located on permafrost. But we need to remember that about 75 percent of Russian Far East forests are located on permafrost soils and that raises some very severe considerations as to whether any kind of logging practices can be considered sustainable on those lands. If logging were to be allowed I would argue that it would have to be through very low impact logging practices and we need to look at what those logging practices might be. This is especially important in an area like Sakha (Yakutia), where the president last year announced a plan to raise logging levels five times over.

Illegal Logging and Trade

In the context of sustainable development I would especially like to focus on some of the illegal logging and trade issues. We have heard a lot about corruption within the Russian business sector. This is generally reflected in the natural resources sector and can be especially seen in the forestry sector. Certainly, those of us who work in the Russian Far East are well acquainted with the public perception of the “timber mafia.” This control of the industry by a rather entrenched and small elite is certainly going to have an impact on efforts to create more sustainable practices within that industry. Primorlesprom is one of the large timber companies in Primorskiy region. It has been stated that up to half of the timber coming out of Primorlesprom and out of the Far East is sold to Pacific Rim countries under dumping prices and fake contracts. We (the Pacific Environment and Resources Center) are in the process of finishing up a report detailing various kinds of illegal logging and trade that we have seen in the region and that our contacts have informed of us about. Some of the more common violations that we see are forged logging and transportation documentation; mislabeling of species; underrating of timber, that is especially done to avoid taxes that are the same as undervaluing export prices; rigging of forest leasing processes; logging of restricted species and sizes, especially of Korean pine in the Russian Far East which is a restricted species, for example; and creation of double contracts. Certainly there are many, many stories of bribing of various, especially lower level officials within the forest service in order to gain various permits. A fundamental part of sustainable development is a natural resource industry that is guided by the rule of law. If we want to talk about creating the conditions for long-term sustainable development in the region, we have to find ways to address the illegal resource extraction issues, the illegal logging and trade issues specifically.

In terms of the trade issues, we see much more illegal trade growth occurring with China than we do with Japan. With Japan, because of the court system, there are more opportune ways to try and confront the illegal trade. Still, we see in the Russia-Japan trade the very common practice of mislabeling of species and especially the under-grading of timber. Essentially timber is commonly sorted into a few different classes or categories based on the quality of that timber. A series of logs will be sorted into first, second or third class or third grade. Instead of labeling it high quality timber, they often will mix that and label it all low quality and sell it to the importing side, which will then resort the timber. Thus they are paying a lower price because they are buying the lower quality timber--on the books they are paying the lower price—and

then resorting it and making the money off the higher quality timber. Some people in the Russian Far East would argue that the practice is a ploy by the importing side to keep prices down, but more commonly I have heard that there is collusion from the Russian side in allowing it to happen.

Ecological Violations

There is also the problem of ecological violation, logging of protected species. This is especially the case with Korean and Siberian pines. This is impacting some of the southern Russian Far East areas like Primorskiy and southern Khabarovsk regions and especially ash, which grows in riparian areas or restricted logging area. Russian forests are divided into three different groups. The third group is industrial timberlands. The first and second groups have various levels of protection. There have been a variety of violations of first group forests in order to target those for logging since those often have the most valuable old growth or native forest species. I already mentioned logging in protected riparian zones. The other issue is that a lot of Russian companies are attempting to log on steep slopes. There are some rules governing logging methods on steep slopes, and I will touch upon them later.

In one case study that we conducted we talked to the forest service and customs agencies and came up with some figures for illegal ash logging and export. Just in over a four-month period in 1999, some 930,000 cubic meters were officially exported from Primorskiy and Khabarovsk regions. For Primorskiy region, which has the majority of the ash, the annual allowable cut for the entire year of 1999 was only 260,000 cubic meters. So that raises some significant questions. There could be some timber of that from other regions but the primary base comes from Primorskiy and southern Khabarovsk regions.

Ineffective Control

Another problem in the Russian timber sector is that the government agency responsible, the Russian forestry service, is essentially ineffective at controlling the industry, at monitoring the industry. A lot of the district departments of the forestry service are involved in salvage logging operations, primarily in order to add to their budget or to make their budget for the year since they are not receiving adequate support from the federal government. As a result, they are doing their salvage logging operations when they should be out monitoring other industries that are conducting various logging operations. They are also known for using salvage logging loopholes. These are loopholes within Russian forest practices that allow for salvage logging, for example, within first group forests, within riparian areas in order to target the most valuable species. So, that points to another potential opportunity, to work with the forestry service in strengthening its control.

I mentioned forestry rules earlier. I just want to mention that some of the forestry rules in the Russian Far East are in fact quite good from a sustainable development and environmental perspective. They have some very important steep slope limitations on logging on slopes with greater than 20 degrees and 30 degrees. They have relatively strict riparian zone buffer areas in comparison with, say, U.S. federal or state regulations. In fact, I found it somewhat amusing when I talked with biologists, wildlife biologists, foresters and fisheries biologists here in the United States. Many of them are very envious of the Russian rules and suggest that if we had had the same rules for steep slopes and riparian zones in the United States, we might have avoided some of the problems with forest management that we have seen here in California and in the Pacific Northwest.

At the same time, some of the forest practice rules in the Russian Far East are quite inflexible and this creates a number of problems when some industries try to experiment with sustainable forest management practices. In fact, we have seen instances where companies that try to be more progressive in finding appropriate forest management practices are actually fined by the forestry service because they are not abiding to the letter of the forest practices that are designed for and by the Russian forestry service. So that is a question of flexibility that needs to be considered. And, as I have mentioned before, there are questions that remain about the implementation of the rules.

Forest Fires

One issue that we have to mention is forest fire. Certainly, those of us who follow the Russian Far East remember the catastrophic 1998 Khabarovsk fires. Forest fires are regularly mentioned by Russian scientists, government officials, NGOs across the board as perhaps the number one threat to forests in Siberia and the Russian Far East. I have focused on logging issues, but groups there surely have identified fires as one of the major threats. One of my concerns about the approaches to the fire issue that have been adopted by both the regional governments in the Russian Far East and by the aid agencies that are assisting them is that the solutions that they are coming up with are focused on equipment and resources for fire fighting rather than on the issue of fire prevention. In particular, there is a need to study the links between logging activities and outbreaks of fires, as well as the links of road building and outbreaks of fires. Some similar research here in North America certainly shows that road building and logging can increase fire danger within forests. Similar research would be quite appropriate in the Russian Far East and these issues of forest fire dangers need to be considered especially in some Russian Far East regions such as Primorskiy and Khabarovsk regions, which are talking about roads through some of their intact forest ecosystems.

Human Side of Sustainability

We touched on the human side of sustainability and sustainable development before during Professor Akaha's and Professor Vassilieva's talk. Some of these issues certainly apply to the timber sector as well. One of the problems in the timber sector is capital flight. That is, the profits from the timber industry are not reinvested into the local community or into local processing activities. Again, it goes back to the Catch-22 of how to develop local processing and value-added capability within the Russian Far East. We need to prevent that capital flight and encourage, provide incentives for reinvestment of those funds back into the local communities. Meanwhile, the logging villages continue to live in abject poverty and this continues a cycle of dependence. These villagers working toward the industry and developing a raw log export cycle is similar in some ways to what we have seen in the Pacific Northwest, where some logging dependent communities continue to export raw log.

We conducted a small case study on Sakhalin Island and visited a few different logging brigades and talked to them about what they were receiving in terms of financial benefit for their work. When we did this study the exchange rate was 24 rubles to the dollar. The logging brigades we talked to were receiving about 18 rubles (about 75 cents) for each cubic meter they were logging. The brigades were usually made up of eight people. Since they received 18 rubles for the whole brigade, each person within the brigade received about 10 cents for each cubic meter logged. The truck driver meanwhile that drove the log 40 kilometers to port was receiving about 6 rubles, or 25 cents, per cubic meter. Of course in port the final price would be

quite flexible but it was quite a bit more than that, at least \$40 and up to \$80 per cubic meter. And the profits, again, were going offshore. We asked, “Why are you still working in this industry if you receive such meager profits, such meager salaries as the result of your work?” The response was, “They beat us on the site.” This kind of poverty-driven raw log export cycle is something that we have got to address if we are talking about sustainable development of the region and finding ways for the resource extraction industries in the Russian Far East to provide greater financial benefits to the local population.

International Programs

I wish to make one comment about international programs. There have been a number of international programs throughout Siberia and the Russian Far East that promote sustainable forest management. Unfortunately, despite a significant amount of effort, they have so far been fairly ineffective. For example, USAID completed a \$16 million program in the Russian Far East. The program itself contained some fairly good elements such as, for example, the promotion of the development of non-timber forest products as an economic alternative to logging activities. It also included a good deal of support for the development of civil society and NGO initiatives. NTFPs (non-typical forest products) have a fairly great economic potential in providing benefits back to the community. They may never compete with the timber industry in terms of overall funds that they bring into the region. However, they can provide a greater benefit in terms of ensuring that funds go back to the community. So, these international programs had some good small elements. But they did not have the necessary effect in changing larger patterns of government behavior or land-use, sustainable forest management patterns.

There are a great many difficulties in working within the Russian village context. They include alcoholism issues, health issues, and catastrophic unemployment in many villages. They make it incredibly difficult to implement successful sustainable forestry projects. The dependence of villagers on existing structures, the existing industries within the region, the existing *raion* or district and regional government structures also tend to make it very difficult for them to “step outside the box” and try some new kinds of management practices. And, there has been a lack of commitment to these changes from Russian government agencies such as the forestry service. Finally, there is a lack of economic incentives for sustainable forest management within the government and industry. That, again, might be an opportunity to look at ways to encourage greater sustainable forest management by providing economic incentives. In fact, it could link back into the question of how to limit capital flight by providing economic incentives for reinvestment into the community.

Many people that I have met would love to go into Siberia and the Russian Far East to quickly change the situation. Unfortunately, the large timber investment in the region that we have seen, for example, Weyerhaeuser back in 1992 has failed and one of the reasons for that is that large projects tend to become lightning rods for criticism. At the same time the current forestry elite tends to be quite entrenched and can find projects such as the Weyerhaeuser project to be competition.

Opportunities for Sustainable Development in Forestry

I have given a somewhat depressing view of the whole forestry sector. I would like to leave you with a few of the opportunities that I see because I am, by nature, an optimist and I think, despite the litany of problems that I have touched on, that there are a great number of opportunities to promote sustainable forest management. First, referring back to the question of

civil society initiatives, I have a slightly more optimistic view than Professor Vassilieva does about the role of NGOs in the society. We have seen an explosion in the number and activities of NGOs throughout the region. We have seen great potential for citizens monitoring to control the illegal logging and trade as well as the corruption. A lot of these citizens' monitoring efforts are just getting underway but they are having an impact. They are encouraging the forestry service, for example, to be more on top of things in the implementation of forestry rules in certain key areas. Some of these citizens' monitoring efforts can be compared with the many forest watch groups that have done very similar kinds of work in the United States.

There is also an opportunity for NGOs to work with government and business. I certainly do not want to leave you with an impression that the NGOs are just all going to be anti-development. That is in fact very much not the case from my experience in Siberia and the Russian Far East. Many of the NGOs are very much pro-growth and pro-development as long as it is appropriate development. There is a good opportunity for NGOs to work with government and business on issues such as certification. I also mentioned non-timber forest products, where there is definitely an opportunity.

There is also an opportunity to use international aid to try to combat the illegal logging and trade issues that I mentioned. Potential World Bank and USAID projects in the region have the opportunity to strengthen measures to combat illegal logging and trade. It is one of the more controversial areas for them to get involved in; nonetheless if we are looking at long-term sustainable development, it is absolutely key for them to be involved in combating the illegal logging and trade. They have certainly abilities to do so. There is an opportunity to use the IMF loans by making them conditional on having Russian government programs that will more effectively combat the illegal logging and trade. As one concrete suggestion, I would suggest that the World Bank or AID step forward to commission a study of the extent of illegal logging and trade. This is a similar process that led to very significant reforms that we are starting to see on the illegal logging and trade issue in Indonesia. Starting with an independent report commissioned by the World Bank or AID can lead to some programs that can work on that issue.

There is an opportunity for small-scale demonstration projects in sustainable forest management. There may very well be foreign industries that are particularly brave, whether they be US or Japanese, that are interested in getting involved in the region specifically for sustainable forest management. My caveat is to start small, to look for projects that will result in local reinvestment and thus build public support for those projects. Projects can support local processing initiatives in terms of the value-added question and also set some economic examples that can be seen and used and then replicated by other small communities.

Another opportunity is the FSC (Forest Stewardship Council) which is a growing international movement of industry and NGOs to develop voluntary third party certification of timber products that have been sustainably harvested. Some efforts are already underway within the Russian Far East, specifically within Khabarovsk region, to develop regional criteria and standards for the FSC implementation within the region. That needs to move forward. Khabarovsk has adopted the criteria; they now need to develop the specific standards that can be used in evaluating or judging specific enterprises. There is a problem, a lack of certifiers in Russia. The certifiers are the third party experts that come in to evaluate a specific logging operation. There is some distrust of the foreign certification operation. One of the largest problems is insuring chain of custody from the logging site to the final consumer. The FSC certification initiative is based on having a very solid chain of custody, such that the final consumer, when he or she walks into a store and want to buy a wooden table, can be sure that it

was harvested appropriately, that it comes from the forest that it says it comes from, where the forest is managed in an appropriate fashion.

The biggest barrier to the FSC efforts in the Russian Far East is the lack of a market. We are already seeing an effort in western Russia that is going to be the first certified large scale operation in the Russian Federation. They are in the process of certifying 800,000 hectares of forestlands. The reason is that they have a market in Western Europe and in all regions of the world that have been the most demanding for FSC certified, sustainably harvested wood products. For the Russian Far East, the FSC efforts will be successful only if there is an Asian market, and those people who work on FSC issues within Russia are looking primarily to Japan to provide that market or are hoping for Japan to be able to provide that market. There are certain opportunities there but there is going to be a lot of market-level work within Japan, among consumers to educate them about opportunities for certified wood products.

There is a great opportunity to educate about sustainable forest management practices and eco-forestry practices, whatever terms we choose to use. Most of the Russian foresters that I have met are very receptive to a lot of these ideas and suggestions. We have seen some very successful training in how to plan for sustainable forest management or holistic watershed-based planning. But there is a great need to expand beyond one-time training that has been supported largely with AID funds and to move into the forestry schools themselves with some of this information. That will help to create a basis for some long-term change in forest management practices. I will just mention one specific activity that we are doing along these lines. We have done some training in this area in the past. In May of this year, we are bringing in a group from Pacific Rim countries, including a few from Russia and the Russian Far East, specifically to learn about timber trade issues as a way of building capacity.

There is a great opportunity for general Pacific Rim cooperation on these issues. I will discuss some opportunities in US-Japan cooperation tomorrow. I will just mention here the work of *Friends of the Earth, Japan*, which has been one of the most active NGOs inside of Japan working on Russian Far East forest issues. I also think that there is a large opportunity for some cross-border Russia-China initiatives. I have already talked about the growing demand for wood products from China and there is going to be a need to encourage cross-border Russia-China cooperation. There is a role for both U.S. and Japanese organizations in facilitating some of those contacts.

There were some very interesting WTO forest and trade policy debates in the months leading up to the Seattle ministerial and also continuing on after that time. There is an opportunity to build on some of those discussions that were not focused on Russia but were Pacific Rim-wide. There is a strong network now of Pacific Rim forest activists who are working on trade issues, incorporating trade understanding into their forest and conservation initiatives. There is an opportunity to build from some of those forest-trade discussions into discussing appropriate forest-trade or timber-trade policies within the Russian Far East.