

OVASKAINEN • PAPPILA • PÖTRY

THE FINNISH FOREST INDUSTRY IN RUSSIA

ON THE THORNY PATH TOWARDS
ECOLOGICAL AND SOCIAL RESPONSIBILITY

THE FINNISH NATURE LEAGUE

TAIGA RESCUE NETWORK

Cover photo: A sample of the moratorium map for Karelia. The green areas are potentially old-growth forest.
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Back-cover photo: A 620 year-old pine (dated from the annual growth rings) felled in 1997 in Viena Karelia by a Finnish company. © Otso Ovaskainen.

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The Finnish Nature League (FNL) was founded in 1943 and currently has 8500 members. FNL is a non-governmental environmental organisation for nature protection and environmental education.

Taiga Rescue Network (TRN) was founded in 1992 at an international conference of non-governmental organisations in Jokkmokk, Northern Sweden. Currently, over 130 non-governmental organisations, indigenous peoples and nations working for the protection and sustainable use of the boreal forests are participating in the network.

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FOREWORD BY DMITRY AKSENOV

When drawing our first old-growth forest map for the Murmansk Oblast in 1995, we had no idea that the world's largest forest product industries, international non-governmental organisations and the general public in many countries would focus attention on the maps. We only tried to set priorities for ourselves and to establish the amount of old-growth forests remaining.

At the time there was much pressure to log virgin forests in the Northwest of Russia, and the pressure seemed irresistible. The old Soviet administrative mechanisms for nature conservation had become ineffective under the new conditions, and there seemed to be no way to protect the last virgin forests from export-oriented loggers driven by the great demand for raw materials on the western market.

However, the collapse of the Iron Curtain opened the Russian borders not only for intensive log export but also to international co-operation of non-governmental organisations. We found our colleagues in forest conservation within the Taiga Rescue Network (TRN) – the worldwide umbrella of non-governmental organisations and activists working for conservation of boreal forests. Our way to work changed dramatically in the 1995 TRN workshop held in Kostomuksha, northwestern Karelia, where environmental non-governmental organisations from many countries demanded protection of the remaining Russian old-growth forests – Europe's natural heritage. It was the first time the information, vision and position of Russian non-governmental organisations had directly reached western consumers of Russian timber.

The response of western consumers, sensitive to environmental issues, was clear: They did not want to buy forest products related to the destruction of the last, non-fragmented old-growth forests in the Northwest of Russia. The world's largest timber companies then announced a voluntary moratorium on logging and buying timber from old-growth areas in Karelia and the Murmansk. To us, and also to many Russian timber businessmen this was a lesson on the new rules of the market economy.

Consumers should have a freedom of choice, and they should be given the opportunity to base their choices on clear, correct and objective information on the goods, for instance their origin and the environmental price paid. Unfortunately, companies and authorities sometimes prefer to speak nice words about transparency rather than to provide it in reality. Thus, independent monitoring of the timber trade and the forestry practices are an actual demand of the market and an important tool to protect old-growth forests.

For the Northwest of Russia the role of wood exports to Finland, the main importer of wood from European Russia, can not be overestimated. I see the highest significance of this Report in providing the consumers objective and independent information. The Report also gives background data and analyses useful to organisations, groups and individuals working for the protection and sustainable use of boreal forests.

While Russian and Finnish authorities, big bosses in the World Bank, the Federal Forest Service of Russia and other organisations are getting lost in endless discussions on how to make the chain of custody for timber trade clear and transparent, Finnish environmental non-govern-

mental organisations have made a real step towards this goal. I congratulate my Finnish colleagues for their big success. I also want to thank everybody who helped them in the work for the Russian forests, especially Elisa Peter of the Taiga Rescue Network Coordination Center in Jokkmokk, Sweden.

Being the result of extensive international co-operation among TRN participants in many countries, the Report has already initiated new research on the Russian timber trade in additional countries. I hope that these international efforts will make the Russian timber trade more transparent, help protect Russian old-growth forests and develop forestry practices in Russia in the spirit of environmental and social responsibility.

Moscow, 28th May 1999

Dmitry Aksenov

Dmitry E. Aksenov is the Russian Co-ordinator for the Taiga Rescue Network and has been a member of the TRN International Reference Group since 1996. He has been active in the environmental movement since 1985, and has worked with old-growth forest conservation issues in the Northwest of Russia since 1992. From 1994 to 1998 he worked for the Biodiversity Conservation Center (BCC) as Forest Officer, organising for instance map analysis for identifying the most important old-growth forest areas in the Murmansk Oblast and the Republic of Karelia. From 1998 to May 1999 Dmitry Aksenov has worked as Executive Director of the Biodiversity Conservation Center.

The Socio-Ecological Union (SEU) was founded in 1987 as a network of environmental non-governmental organisations. Currently, 250 organisations in 18 countries and over 2000 individual members are participating in the network. The Biodiversity Conservation Center was created in 1994 as a branch of SEU to handle biodiversity conservation problems.

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1. INTRODUCTION

The number of Finnish companies involved in Russian forestry is large; it is estimated that at least 100 companies are involved in one way or another. There are, however, large differences in scale, location and type of operation. Most of the companies involved are quite small. Less than 10 companies procure more than 100,000 m³ timber per company from Russia annually.

The ambitious aim of this report has been to present a detailed description of Finnish forestry involvement in Russia. All the companies involved, their types of operation, procurement areas etc. were to be described. Just compiling the list of companies proved to be a tough challenge. Information previously assembled by non-governmental organisations together with information from telephone directories and internet sources were used. Various people and organisations were consulted, but still only a fraction of all the Finnish companies involved could be named. All major companies, however, with the sole exception of Metsäliitto, which refused to answer the questionnaire, have finally been included and are described in this report. Subsequent versions of this report will hopefully present a more complete list of companies.

1.1 BACKGROUND

The vast majority of the old-growth forests remaining in Europe are located in Northern Russia. These Russian forests have seemed like an endless source of cheap raw material for the West-European forest industry. Consequently, the Russian forests have received much emphasis in the debate on conservation of the biodiversity of boreal forests.

In this brief review stress is laid upon those events in the debate between the environmental organisations and the forestry companies that have had a significant impact on the subsequent changes in the situation.

The wood trade from Russia to Finland has a long history. Already in the beginning of the 1970's, Finland imported some 5 million m³ of wood from Russia, roughly half the current amount. Imports remained at approximately the same level until the early 1990's, when they rose rapidly to the present level. The main reasons for the increased imports are the poor condition of Russia's domestic forest industry and the increased demand, especially for birch pulp, in Finland. Low wood prices combined with a highly corrupt timber trade system have also attracted some companies and certain so-called middlemen looking for opportunities to make a quick profit.

From the environmental point of view, until 1996 the situation regarding old-growth forest loggings was chaotic. Even amongst environmental organisations and researchers there was no consensus on the locations and relative values of old-growth forests. Virgin forest areas previously almost untouched by man were destroyed at an increasing rate in large-scale clear cuttings. The environmental organisations followed the situation actively in some key areas, but they lacked the means to influence the general situation.

One of the key areas was the Kalevala region adjoining the Finnish border in the Republic of Karelia. A plan for a national park was being prepared jointly by Russian and Finnish authorities, but large-scale loggings by Finnish companies jeopardised this plan. The loggings approached the proposed national park area from the south, and at some locations also extended into the planned park.

The loggings met with strong opposition from two quarters. Firstly, from the people of the nearby villages of Vuokkiniemi and Venehjärvi, who witnessed the destruction of their traditional hunting and fishing areas. Secondly, from the community of environmental organisations, especially the Russian and Finnish organisations and Greenpeace International.

The Russian non-governmental organisation Biodiversity Conservation Center (BCC) had published a preliminary map of the potentially valuable areas in the Murmansk Oblast in 1995. Together with

Greenpeace Russia, BCC prepared and published a similar map for Republic of Karelia in spring 1996. Both the maps were based mainly on satellite images and forestry maps, while actual field work to compile inventories of the natural value of the areas was postponed until later. The forest companies were requested to stop purchasing wood from the old-growth areas designated by these maps. However, the response of the companies was negative.

The opposition culminated in autumn 1996 with protest actions against the loggings by the Finnish company Enso (currently Stora Enso), which is the largest user of Russian wood in Europe outside Russia. Greenpeace stopped Enso's loggings at one of the old-growth sites, followed by closing of Enso's pulpmill and stopping a ship loaded with Enso paper in Lübeck. The first reaction by Enso was to deny the natural value of the area, but after public debate Enso announced in October 1996 that it would not log any more old-growth forest areas in the Republic of Karelia or the Murmansk Oblast.

This debate led to a revision of the old-growth forest maps to a more accurate, kvartal (the unit of area used in Russian forestry) based level, proceeding the so-called moratorium maps (see the maps in Appendices III and IV). The moratorium, i.e. the temporary ban on logging, meant that Enso would not procure any wood from the designated areas until the inventories of nature value had been carried out, and decisions on the protection of any valuable areas found were made in a way satisfactory also to the environmental organisations.

Some other companies, however, explicitly refused to respect the natural values of the moratorium areas. The last company to continue logging in the area of the proposed Kalevala national park area was the Vainionpää sawmill, with its marketing companies Eurohonka and Martinniemi Saha. Not only did the loggings hit areas included in the moratorium maps, but also areas included in the protection proposal made by the town of Kostomuksha in January 1997. The Finnish



PICTURE 1. The establishment of the Kalevala National Park has been prepared jointly by Russian and Finnish authorities. Photo: Otso Ovaskainen 1996.



PICTURE 2. In May 1997 the Vainionpää company was still logging inside the planned Kalevala National Park. Photo: Otso Ovaskainen 1997

Nature League and Friends of the Earth Finland demonstrated against Vainionpää's loggings in May 1997, and together with the work of the Russian environmental organisations this resulted in public awareness of the irresponsible actions of the company.

In June 1997, after discussion with Russian and Finnish non-governmental organisations, UPM-Kymmene became the second Finnish company to announce a commitment to the moratorium. Many smaller companies, including Vapo, Pölkky, Kuhmo and Kokkonieni, quickly followed, and the first non-Finnish companies, namely Swedish MoDo, and Norwegian Systemator, also joined the moratorium. Now the situation became awkward for Vainionpää. The other Finnish companies refused to buy pulp-wood or wood-chips from Vainionpää as they had done previously, so these byproducts had to be exported, to Sweden and Norway, and even to Portugal. At the same time political pressure also increased, as Viktor Stepanov, the prime minister of Karelia, promised to take action to stop the illegal loggings.

In January 1998 Greenpeace Russia and the Biodiversity Conservation Center published a list of companies that had explicitly refused to respect the moratorium. In addition to Vainionpää, the Finnish company Metsäliitto was included in the list, although it had declared that it did not have any significant operations in Karelia. The reason for including Metsäliitto was mainly the hostile reaction of the company. Metsäliitto refused co-operation with the environmental organisations and would not give any further information about its operations in Russia. Metsäliitto has continued the same policy, and consequently this report contains no information about the operations of Metsäliitto in Russia, simply because the company still refuses to give any details.

In contrast, the Vainionpää company decided to change their policy completely. In February 1998 the company joined the moratorium by signing the commitment form, and since then has been one of the most careful companies in controlling the origin of the wood it purchases from Russia.

After the commitment of the Vainionpää company, the major threat to the moratorium areas came from Russian companies, like Pjalmales, Kondopoga Mill, and certain others. In August 1998, Pjaozersky Lespromkhoz (forestry company) started, or rather resumed, construction of a forest road for logging the old-growth forest area north of Paanajärvi National Park. This area belongs to largest old-growth forest that still exists in Karelia, covering altogether more than 200,000 hectares of virgin taiga. The Finnish companies Enso and Pölkky, which are the major buyers of wood from the Pjaozersky company, confirmed that they would not buy any wood from the moratorium areas. The debate about the future of the Paanajärvi area continued between the Pjaozersky company and the Russian environmental organisations until Pjaozersky announced that it will suspend all activities in this area at least until the end of 1999.

In March 1999 Greenpeace Russia and the Biodiversity Conservation Center published a map of the



PICTURE 3. In August 1998, Pjaozersky Lespromkhoz resumed construction of a logging road in the heart of the Paanajärvi wilderness. Photo: Kalervo Ojutkangas 1998

largest blocks of remaining old-growth forest in the northern part of European Russia (see the map in Appendix II). This map is based on satellite images and field expeditions, and was produced with the assistance of Putschinsky State University, ScanEx Engineering-Technical Center and some other research organisations. The map is also the first version of the moratorium map for the Oblasts of Arkhangelsk and Vologda and the Republic of Komi. On 25th May 1999, Stora Enso and the Russian non-governmental organisations discussed the possibilities for an extension of the moratorium to cover these regions as well. Stora Enso responded with a positive attitude but declared it was not able to make a commitment to the moratorium for Arkhangelsk and Komi at the moment. The main reasons were the need for a more detailed kvartal-level map and the large size of the moratorium areas. Concerning Vologda, Stora Enso postponed the moratorium as well, and proposed a joint meeting of the company, the local forest authorities and non-governmental organisations. Thus, the old-growth areas in these regions are still under acute threat.

Recently another wave of old-growth forest loggings by Finnish companies in Karelia has emerged. The companies responsible for the destruction today are small companies which are simply trying to maximise their short-term profits. However, as history has shown, this kind of operation can not be profitable in the long term, and it is quite evident that these companies will have in future to admit that their current actions are a mistake in both the ecological and economic sense.

1.2 A BRIEF ANALYSIS OF THE CURRENT SITUATION

As can be seen from the previous discussion, the environmental policies of Finnish companies concerning operations in the Northwest of Russia have improved considerably during the last few years. The existing moratorium commitments of the major companies are credible verifications that the companies will not participate in the destruction of old-growth forests in Karelia and Murmansk. Furthermore, there is some hope that this commitment will in future comprise the whole of northwestern Russia.

It can even be argued that the Finnish companies are applying their best environmental policies in northwestern Russia. In Finland, a similar moratorium for old-growth forests has been demanded by the environmental organisations for several years without a positive response. The environmentally destructive operations of many Finnish companies in the tropics and other parts of the world are also well known.

In addition to the moratorium, another positive aspect of the operations of Finnish companies in the Northwest of Russia has been the transparency of their information policy. This report is a good example of this: practically all the companies contacted were very co-operative and ready to give detailed information about their operations. The sole exception among the major companies is Metsäliitto, which has refused to provide even elementary information about its operations in Russia. This is probably due in part to its ownership structure. Metsäliitto is owned by a large number of private Finnish forest owners who sell their own wood to Metsäliitto, and who might not be happy about the import of cheap wood from Russia.

Nevertheless, the situation in the Northwest of Russia is far from satisfactory. In the more remote areas, where wood is mainly logged by local forestry companies and then transported by train to Finland, the main problem is still the logging of old-growth forests. After the extension of the moratorium hopefully this will be solved, but the problem of the methodology used will remain. Large-scale clear cuttings, devastating vast areas for a long time, can certainly not be considered environmentally sound.

Even in areas close to Finland, there are still some Finnish contractors logging inside the moratorium areas. Furthermore, from a social point of view, the structural problem of the wood trade still remains unsolved. Clear-cut logging by Finnish companies using Finnish machinery and Finnish employees leaves very little for the local communities. Export of roundwood should rather be replaced by developing further processing at the local level.

In the Leningrad Oblast the situation is especially unclear. A recent study by a local non-governmental organisation (The St. Petersburg Society of Greenpeace Supporters 1998), as well as a study by a mixed commission for auditing the state of forestry (Greenpeace and Biodiversity Conservation Center 1997) reveals that a large proportion of the logging and wood trade in the region is illegal. Finnish companies are the main purchasers of wood from this region, having recently rented large areas for several decades. A moratorium map for the Leningrad Oblast, which will hopefully offer a partial solution, is urgently required. As a first step in this direction, the St. Petersburg and Finnish non-governmental organisations have prepared a preliminary map of valuable areas in the Karelian Isthmus (see the map in Appendix V).

2. METHODS

The data for the main part of this report, providing detailed information about some of the Finnish forestry companies operating in Russia (Chapter 6), was collected by a questionnaire sent to the companies. To our knowledge, much of the information about the companies has not been published before, at any rate not in one document.

In addition to the detailed information about the companies, the report gives general data about Russian forests and forestry, and the involvement of Finnish forest companies in Russia (Chapters 3, 4 and 5). This type of information is now readily available, and the facts provided here were collected mainly from published literature, some of which is directly quoted in the following. In addition, the points of view of Finnish and Russian non-governmental organisations are presented.

3. RUSSIAN FORESTS

Russia's vast forests are a natural resource of global importance, both ecologically and economically. The forests already serve Russia and the rest of the world as a source of timber, as a symbol for wilderness and as a critical stabiliser of the global climate. Sprawling from the Baltic Sea to the Pacific Ocean, Russia has 22% of the world's forest area ('forest area' as defined by FAO), see Table 1. According to recent estimates by the World Resource Institute, about 26% of the world's last frontier forests are in Russia. Careless exploitation of Russian forests could hold back Russia's economic renewal, permanently degrading the local environment and destabilising the global climate. (Nilsson & Shvidenko 1998)

	Total forest area (million ha)	Percentage of global forested area
Russia	764	22
Brazil	566	16
Canada	247	7
U.S.	210	6
China	134	4
Indonesia	116	3
Zaire	113	3
Nordic countries	53	2
All other	1,239	36

Table 1. Forest area in selected countries (The World Bank 1996).

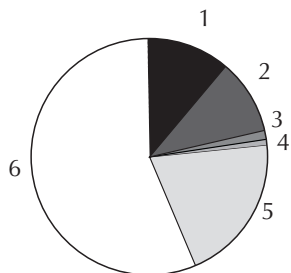
3.1 STATE OF BIODIVERSITY

Russia occupies one eighth of the global land area and most of non-tropical Eurasia. Its territory presents landscapes of 8 natural zones, passing from arctic deserts and tundra all the way through the taiga zones to broad-leaved forests and steppe areas. Over 11 000 species of vascular plants (of which 461 are classified as endangered by the Red Data Book, but some 2000-3000 are estimated as being under threat), 320 mammals (64 endangered), about 730 birds (109 endangered), 75 reptiles (11 endangered), about 30 amphibians (4 endangered) and 270 fresh-water fish (9 endangered) species may be found in Russia. This constitutes about 8% of global vascular plant flora, 7% of the mammal fauna and almost 8% of the bird fauna.

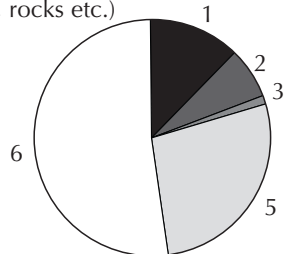
In spite of a long history of economic development, the lands of Northern Eurasia are relatively little disturbed, especially in Siberia and the Far East. Industrial and agricultural expansion into these regions has been difficult due to permafrost, the cold climate and land which is difficult to cultivate. The worst decline in biological and landscape diversity has occurred in Northern Caucasia, in the Volga Region, in Central European Russia and in Southern Siberia. The other regions have experienced mostly local anthropogenic impacts, and almost 90% of tundra, up to 70-75% of taiga forests and 20-30% of Asian steppes have remained close to their natural state. (The State Committee of the Russian Federation for Environment Protection 1997).

Figure 1. The distribution of taiga forest ecological categories in northern European Russia

Total area



Without non-forest lands (high mountains, bogs, swamps, rocks etc.)



- 1 - Large (more than 100000 ha) non-fragmented frontier forest areas
- 2 - Large (more than 100000 ha) marsh-bog-forest areas, with a dominance of natural marsh and marsh-bog forest complexes and ancient forests on dry sites
- 3 - Medium size (from 20000 to 100000 ha) frontier forest areas
- 4 - High-mountainous landscapes (mountain tundras and subtundras)
- 5 - Small fragments of ancient forests and other mature forests
- 6 - Altered non-mature forests

By Greenpeace Russia 1999

The distribution of taiga forest ecological categories in northern European Russia is given in Figure 1. Somewhat more than half the forests are young forests greatly altered by man, whereas less than 15% can still be classified as frontier forests (large virgin forests). The other forests consist of fragments of old-growth and other mature forests and areas dominated by marsh-bog complexes.

In the central and especially the southern taiga zones, the situation differs greatly from that in the Northwest of Russia. These regions have a long history of quite intensive land use, and large untouched areas are rare or absent. In spite of this, much valuable nature exists in these areas as well. Compared with similar vegetation zones in Scandinavia, for instance, the Russian zones are found to still have a relatively high proportion of patches close to their natural state. Natural restoration of forest is much quicker in the south than in the north. It is also self-evident that the species diversity is much higher here. The Russian zones, although not totally untouched, are of the highest quality that exists, and there is no question about the value of these sites.

The Karelian Isthmus region in the Leningrad Oblast is a good example of this. Areas untouched by man are rarer than in the Republic of Karelia, but in comparison to Southern Finland, the Karelian Isthmus is a nature paradise. There are still considerable areas where human influence is slight, and many natural values are present, e.g. areas with a diverse flora, rich in herbs; broad-leaf forests; lakes and marshy areas of ornithological value with resting places for migrating birds; esker areas valuable for their flora and geomorphology; and representative rock areas.

Despite the relative richness of the natural forests in European Russia, the taiga as a whole is relatively



PICTURE 4. Herb-rich forest near Lake Rakovye in the Karelian Isthmus. Photo: Miia-Liisa Muttonen 1997.

fragmented and disturbed by various human activities, including forestry. Few substantial areas of unfragmented natural forest remain. The remaining areas include the Pechora Ylych region and its headwaters in the Republic of Komi, the forests along the Karelia-Arkhangelsk and Arkhangelsk-Komi borders, the subtundra forests in the Arkhangelsk, Komi and Yamal-Nenets autonomous regions and the eastern part of the Kola peninsula, the montane forests along the Swedish-Norwegian border and the so-called Green Belt along the Finnish-Russian (Karelian) border (see the map in Appendix II). The forests of the Green Belt are one of the most important boreal biodiversity centres in Europe as they connect the continental Russian taiga to the more oceanic boreal forests of Fennoscandia. Without this ecological bridge the forests of Scandinavia would become isolated from their genetic mainland.

Many species in the Red Data Books for Sweden and Finland still exist in viable populations in the Northwest of Russia. The main reason is that the forests, although intensively used or disturbed in many places, have not been subject to the same systematic and intensive forestry methods applied in neighbouring Finland and Sweden. (Lindahl et al. 1997)

Thus, from the Finnish point of view, the Russian forests serve as a mainland providing a continuous supply of a number species specialised in old-growth forests living in the fragmented Finnish old-growth forest patches. This conclusion is supported by maps indicating observations of species specialised in old-growth forests. The species increase near the Russian border more than would be expected from the relatively high proportion of old-growth forests in the region.

3.2 NATURE CONSERVATION

A system of protected natural areas encompassing all natural zones and principal mountain massifs has been developed in Russia in over the past 80 years. At present, the Russian Federation has 99 state zapovedniks, i.e. strict scientific nature reserves, which meet the category I criteria of the IUCN classification of protected areas. The total area of the zapovedniks is 33.2 million ha, of which 26.7 million ha (1.56% of Russia's territory) is terrestrial area. At present, Russia has 34 national parks, 2/3 of which have been established during the preceding six years. The total area of the national parks is 6.8 million ha (0.40% of Russia's territory). There are plans to establish some 40 additional zapovedniks and parks. Practically all the national parks are located in forest fund areas and are managed by the state forestry authorities. In addition, the Russian Federation has 52.2 million ha of zakazniks with either regional or federal status. The protective regime of zakazniks is very broad – from category I to category VII of the IUCN classification. Thus it should be noted that most of the zakazniks, especially the game reserves, do not support forest protection. There are even many zakazniks in which hunting is not allowed but clearcutting is. The total protected area is about

5% of the forest resource area in Russia, but only about 2% is strictly protected. Thus, more protected areas giving better coverage are required to maintain biodiversity. (Nilsson & Shvidenko 1998, The State Committee of the Russian Federation for Environment Protection 1997, The Zapovedniks and National Parks Bulletin by the Biodiversity Conservation Center, issues no. 23-26, 1998-1999)

The Russian forests have been divided into three categories with respect to their economic and ecological characteristics. The first category comprises forests with a protective function, e.g. forests along watersheds. However, these forests, comprising some 20% of the forested land, are certainly not strictly protected. According to Greenpeace Russia, intensive intermediate and sanitary fellings are practised in 95% of these forests, and even clear-cutting (maximum size 10 hectares) is allowed in 50% of the area. The second category includes forests in populated areas and forests with low timber production, comprising 5.5% of the total area. The vast majority of forests, 74.5%, is included in category three, industrially exploitable forests, where clear-cutting (maximum size 50 ha) is the main forestry practice.

By order of the President of the Russian Federation, every member of the Federation is obliged to protect 5% of its area. The proportion of “areas with some nature conservation status” currently exceeds this in most of the members. However, looking at areas with a real nature conservation status, the figure is still far from even this rather modest goal. As an example consider the classification of the nature protection areas in the Republic of Karelia.

- Areas with a strict nature protection status comprise 1.4% of the total area. Any kind of forestry is prohibited.
- Areas with a partial nature protection status, mainly prohibition of final fellings, comprise 1.2% of the total area.
- “Protected areas” without any restrictions on forestry comprise 2.7% of the total area. This figure includes also non-permanent zakasniks, which will exist only up to year 2000.
- Category I forests comprise 7.4% of the total area. The nature conservation status of this category is described above.

Thus, although the “areas with some nature conservation status” amount to 12.7% of the total area, the areas in which forestry of all kinds is prohibited, are only 1.4% of the total. (Yaroshenko 1998)



PICTURE 5. *Haploporus odorus*, a fungi species with a fascinating smell of anis. In the natural value inventories carried out by the Finnish Nature League in the Republic of Karelia in 1997, this fungi was found 64 times in the Paanajärvi area during just a few weeks. The figure is extremely high compared to the total number of some 170 observations made in Finland, where it is classified as threatened. Photo: Otso Ovaskainen 1997.

4. FORESTRY IN RUSSIA

The annual growth of the Russian forests is nearly 1000 million m³. However, much of this potential cannot be used even in principle by the forest industry due to environmental constraints, the remoteness of forests from domestic and international markets, the absence of a transportation network and technological limitations. It has been estimated that the economically exploitable forests comprise 55% of the forested areas under state forest management. (Nilsson & Shvidenko 1998)

Mortality amounts to 49% of the gross growth. This is an extremely high figure compared with most other countries. This is due to the fact, that there are still huge areas in Russia with unexploited old-growth forests, as well as a significant amount of forest fires, insect outbreaks etc. (Nilsson & Shvidenko 1998) The high figure for mortality demonstrates a special feature of Russian forests, namely that large areas are still unmanaged and thus to environmentalists appear undamaged by man. Similar, sizeable areas have nearly disappeared from Scandinavia, where “ecological forest management” has now been developed to restore some of the original features of the forests.

4.1 ANNUAL HARVEST LEVELS

The annual allowable cut (AAC) is set by the Federal Forest Service of Russia (Rosleshos). The AACs only consider final felling and commercial wood (industrial wood and fuelwood) in forests under state forest management. The Russian AAC excludes thinnings. The AAC is based on the status of the forest inventory, forest regulation and silvicultural handbooks. (Nilsson & Shvidenko 1998) The development of the Russian AAC is shown in Table 2.

Year	1965	1975	1985	1990	1993	1997
Total	603.9	620.4	617.2	603.0	529.0	511.7
Coniferous	402.1	398.1	390.1	381.9	315.0	305.4

Table 2. Annual allowable cut in Russia, 1965-1997 in million m³. (Nilsson & Shvidenko 1998)

However, the methods of calculating allowable cutting levels are in many cases old-fashioned and result in unrealistically high figures. Quite apart from ecological sustainability, even economically sustainable utilization, with a harvest equal to the annual net growth, is rarely used. A common method of calculating the AAC e.g. in Karelia is to divide the amount of advanced, mature and overmature forests by the number 60. However, as the rotation period for pine is 120 years, the AAC thus obtained is well above even the economically sustainable level. This tradition for calculating the AAC originates from the Soviet era, when the lespromkhozes were intended to operate for a period of 20-30 years only. Still continuing their operation, many lespromkhozes suffer from a shortage of raw-material as they already have used a major part of their forest stock during the past decades.

In addition, the data on which the planning is based is often inaccurate. Thus, often the planned harvest level cannot be realized, resulting not only in economic but also ecological problems. Attempts to realize the overestimated AAC often lead to logging of old-growth forests, as the volume of growing stock per hectare is greatest there. (Lecture by Alexei Yaroshenko, Forest Officer for Greenpeace Russia, held

Figure 2. Annual industrial logging in Russia

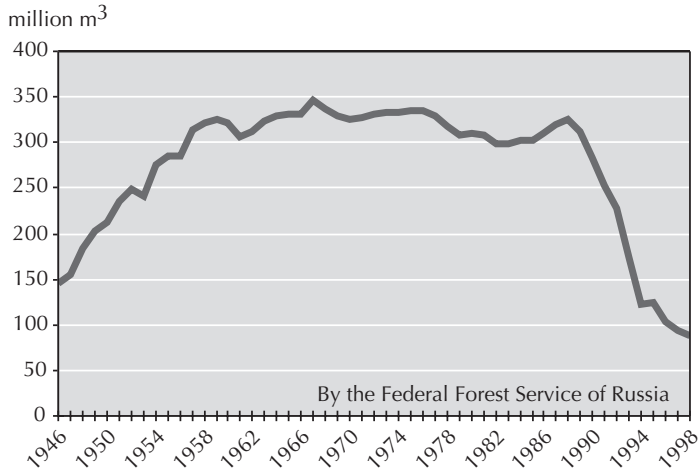
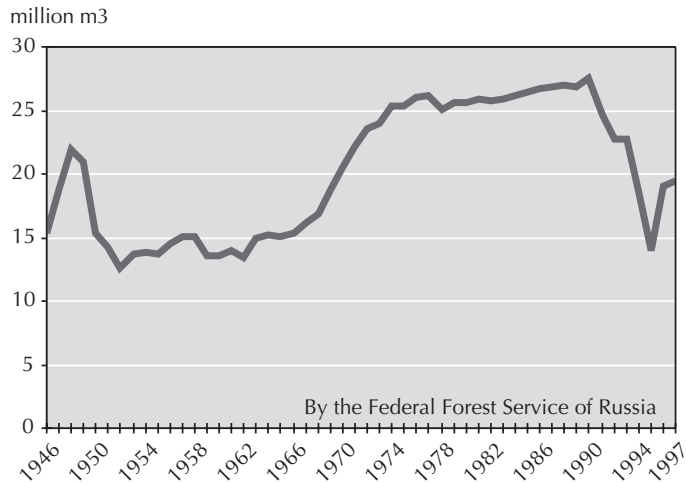


Figure 3. Intermediate felling in Russia



under the auspices of the University of Joensuu, February 1999)

The annual level of realized industrial loggings increased from 150 million m³ in 1946 to a maximum of 350 million in the late 1960's, before falling below 100 million m³ in the 1990's. This dramatic decrease in the annual level of industrial loggings is most clearly seen in Figure 2. The annual level of intermediate fellings has varied between 13-28 million m³, as seen in Figure 3.

The Federal Forest Service estimates that the grey economy accounts for around 10% of the total volume. However, some scientists claim that in reality harvest levels may be 1.5-2.0 times higher than the official estimate, due to the shadow economy, intentional underestimates of production to evade taxes, and due to shortcomings in compilation of the statistics. Table 3 gives an example of such estimates. The flow of wood to the grey economy is not taken into account when planning the AAC. There are also substantial losses of wood in the process from felling to final product. Losses are estimated to be on average 20% of the gross harvest. (Nilsson & Shvidenko 1998).

Year	1989	1992	1993	1994	1995	1996	1997
Official harvest	338	238	175	119	115	80	85
Unaccounted	101	87	76	56	50	30	35
Total	439	325	251	175	165	110	120

Table 3. Harvest in Russia and estimated unaccounted harvest in million m³ (Gareyev et al. 1998).

Overharvesting by clear-cutting (which the authorities have accepted for several decades) has led to the depletion of forests in the European part of Russia, worsening the ecological conditions over vast areas. It has also resulted in the loss of highly productive sites. This development has ultimately resulted in a decreased supply of wood to industry. Examples of overharvesting in 1988 are presented in Table 4.

Region	Number of enterprises investigated	Annual allowable cut (AAC)	Actual harvest
Arkhangelsk	13	3440,1	3831,4
Vologda	13	747,0	1154,7
Republic of Karelia	14	1132,1	1282,4
Republic of Komi	15	3305,7	4139,6
Kostroma	7	280,4	307,7
Kirov	8	188,4	597,2
Perm	22	1957,0	2243,6
Sverdlovsk	5	131,8	299,3
Irkutsk	10	1544,3	3067,6
Magadan	1	21,0	25,0
Total (overharvest by ca 35%)	108	12747,8	17128,5

Table 4. Examples of overharvesting in 1988 (1,000 m³) (Nilsson & Shvidenko 1998)



PICTURE 6. Overharvesting in the Republic of Karelia, Kostomuksha area. The clear-cut area, comprising several thousand hectares, was logged jointly by Finnish and Russian companies. Photo: Otso Ovaskainen 1997.

The overharvested areas in European Russia have a low potential for increased production. The resources have been exploited in a very unsustainable manner. The most productive coniferous stands have been exploited, while the less productive ones and stands of deciduous species have hardly been used at all. As a result, huge areas of soft deciduous secondary forests have been generated and there has been a steady increase in swampy forests of lower site classes. By 1990, for example, the growing stock of mature forest could provide for harvesting (at 1990 levels) for 25 years in the Vologda Oblast, for 36 years in Karelia, and for 40-45 years in the Murmansk oblast. Thus, even though only 82% of the total AAC was harvested between 1970 and 1990 in European Russia, the AACs were violated for individual tree species and species groups, and at subregional level. (Nilsson & Shvidenko 1998)

4.2 INSTITUTIONAL ASPECTS OF FOREST MANAGEMENT

The Federal Forest Service of Russia manages about 94% of the total forest land area in Russia, with another 4% belonging to agricultural organisations, 1% to the Committee of Environment Protection and 1% to other state bodies.

The Basic Forest Law of the Russian Federation was issued in 1993, to be replaced in 1997 by the new Forest Code. The reform of 1993 enabled some progress to be made towards establishing market relations. According to the Basic Forest Law, forest leasing and auctions of standing timber were allowed, and forest leasing is the main element of market relations. Any person (including a foreigner) can be a leaseholder. Forest lease relations have been introduced in Siberia, the Far East, Urals and in the North and Northwest of the European part of the Russian Federation. In such regions as Arkhangelsk, Vologda, Kostroma, Primorsk and Khabarovsk, practically all economically accessible and profitable forests have been given to leaseholders. (Giryayev 1997) According to the new Forest Code, the right to grant licences belongs to the regional authorities. The licences are granted by direct negotiation, auction or tender, often in a non-transparent way.

At present, leaseholders have at their disposal forest tracts with an allowable annual cut of 85 million m³, approximately 75% of the average actual volume of cuttings during the past two years. The leaseholders are typically formerly state-owned logging companies. This has been accompanied by the development of stumpage auctions. Auctions have made it possible to establish real prices for standing timber, but still in 1996 only 1.7% of the total timber volume was sold through auction. (Giryayev 1997)

Many of the newly passed regulations do not take into account the rich diversity of Russia, and the same rules are applied to widely different forest and landscape types which again results in lack of compliance. In addition, the powers and responsibilities of federal, state and local governments are not clearly drawn up. This leads to conflicting regulations passed by federal and regional legislatures. (Gareyev et al. 1998)

Currently the Federal Forest Service has a double role in Russian forestry. In addition to managing nearly all Russian forests, it is also responsible for about 20% of the logging, through intermediate and sanitary loggings. According to Greenpeace Russia, the Federal Forest Service has thus been transformed from an independent controller of forestry to a competitor of the forestry companies, leading to serious problems in the control of forestry and the development of federal forest policy. Another problem is caused by the non-transparent information policy of the Federal Forest Service. As no detailed information about forestry is publicly available, verification of the actions and claims of forest authorities is not possible. For example, the official figure for the proportion of areas reforested after clear-cutting is 40%. However, samples studied by Greenpeace Russia showed that the correct estimate is roughly 2%.

4.3 PRICES AND COSTS OF FORESTRY

The price of wood in Russia is extremely low compared to e.g. EU countries. Low prices cause problems, because they mean also low budgets for introducing sustainable forestry and for forest protection and preservation. In Karelia, for example, one cubic meter of best quality saw-timber pine, situated at most 10 kilometers from the transportation facilities (such as railway station), in 1998 cost less than 10 FIM, whereas the average price in Finland was 275 FIM. The stumpage payment, averaged over all wood sold in Russia, was less than 4 FIM at the end of 1998. Furthermore, for sanitary and intermediate fellings there is no stumpage fee at all. This has led to a situation where sanitary and intermediate fellings are commonly used as a tool for economic exploitation.

The sharp cut in budgetary allocations for forest management, including expenditure on protection, conservation and reforestation, as well as on scientific research, has serious effects on the possibilities for



PICTURE 7. Wood being loaded near Kostomuksha town onto a Finnish truck. Photo: Otso Ovaskainen 1997.

sustainable forestry and nature conservation.

According to some sources, forest supervisors, for example, have been receiving as little as 10% of the required funding. In many cases, the forest service has only enough money to retain its employees and no money is left over for fighting forest fires, enforcing logging regulations, and making periodic inventories. In the absence of federal and state funding, local forest service supervisors have to rely entirely on stumpage fees and fines paid by logging companies. (Gareyev et al. 1998)

The very important question is to whom the benefit from forestry goes. By law, 40% of stumpage fees and payments for leases are directed to the federal budget, and the remaining 60% to the budgets of the members of the Russian Federation. However, as the stumpage fees are extremely low, it is clear that there is a lot of loose money involved. The distribution of this money among domestic and foreign forestry companies, various middlemen and other parties is totally unclear. It has been estimated that in the case of wood exported to Finland some 60% of the money is linked to corruption.

4.4 FORESTRY ENTERPRISES

At the beginning of 1996 the distribution of the different forms of ownership within Russian forest industry enterprises was as given in Table 5.

	enterprises	share of employees	relative share of production
State-owned	19.6%	12.0%	9.9%
Mixed ownership	47.0%	53.7%	56.7%
Private ownership	30.9%	32.6%	32.2%
Other forms of ownership	3.5%	1.7%	1.2%

Table 5. The distribution of the different forms of ownership within the total number of Russian forest industry enterprises in 1996. (Burdin, Myllynen & Strakhov 1998)

In the logging industry, 85% of the logging enterprises, timber landings, timber floating and forest machine manufacturing activities have been privatized. The proportion of privatized enterprises and those transformed into joint-stock companies in the pulp and paper industry is 96%. The proportion of private- and mixed-ownership enterprises in Russia's wood-working industry exceeds 90% (Burdin, Myllynen & Strakhov).



PICTURE 8. Wood being transported by the Kostomuksha lespromkhoz. Photo: Otso Ovaskainen 1997.

long-term leasing. Priority in forest resource utilisation is given to logging enterprises which have operated in a particular territory for a long time and which have appropriate capacity for logging and processing of the wood and other forest products, as well as to enterprises supplying forest industry products for domestic demand (Burdin, Myllynen & Strakhov 1998).

4.5 SOCIAL ASPECTS OF FORESTRY

The Russian forest sector is a significant employer that directly accounted for more than two million employees in Russia in 1990. Between 1990 and the mid-1990s the number of people directly employed by the forest sector fell from 2.0 to 1.8 million people. Employment in the forest sector has not fallen as steeply as the physical output. (Nilsson & Shvidenko 1998)

Forestry in northwestern Russia is characterised by a relatively low proportion of forestry workers to the total number of staff, while the proportion of manual workers in the forest industries, as well as on the subsidiary agricultural farms and in the exploitation of non-timber forest products, is about 45% of all employees (the proportion of persons in charge and specialists being 25%). The proportion of forestry workers is only 5-6%, while 15-16% are persons in charge and specialists, and 20-25% are forest-guard personnel. (Strakhov et al. 1996)

State forest enterprises had a wide social importance in Soviet society; they provided employment,



PICTURE 9. A Russian lumberjack working near the Vodlozersky National Park in the Republic of Karelia. Photo: Virpi Sahi 1997.

produced goods and services, and offered a large variety of social facilities for employees and the local population. The transition to a market economy has forced firms to be much more efficient economically. With no subsidies, firms have been forced to substantially downsize social functions. (Nilsson & Shvidenko 1998)

The devastation of vast areas by bad forestry practises has generated public opposition. According to an attitude survey carried out by Greenpeace Russia in 1998, the main problems in Russian forestry are the large-scale clear-cutting and poor results in reforestation of cut areas. Even forest fires, which are the major problem according to the Federal Forest Service, are considered to be a minor problem compared to bad forestry practises.

4.6 ENVIRONMENTAL REGULATIONS

Russia has made a number of international environmental commitments with respect to forestry. Due to a weak national forest management policy, Russia has difficulties fulfilling these commitments. The inefficiency of environmental control resulting from a lack of resources and inefficient organisations is well-documented. Russian authorities are too weak to ensure compliance with environmental legislation, and adequate mechanisms and institutions for effective implementation are simply absent. Violations of environmental regulations are commonplace.

Lack of compliance with, and implementation and enforcement of environmental standards can be traced to three related factors:

- 1) the legislative process, which allows little dialogue with stakeholders and thus builds little political will for implementation;
- 2) the institutional structures responsible for implementation and enforcement, which have limited resources and ambiguous mandates;
- 3) the substantive standards themselves, which are sometimes unrealistic and frequently unclear.

Expectations that a drastic drop in industrial production in Russia would bring about corresponding reductions in pollution and contamination have not been realized. In reality, these problems are as acute now as before the transition. This can be explained by obsolete industrial technology, lack of investment in environmental protection, and other factors that keep pollution levels substantially higher in Russia than in the West. Annual national Russian reports on the environmental status support this conclusion. (Nilsson & Shvidenko 1998)



PICTURE 10. This used to be old-growth forest. Logged by the Muezersky lespromkhoz in 1998. Photo: Otso Ovaskainen 1998.

4.7 IMPACT ON OLD-GROWTH FORESTS AND BIODIVERSITY

Wood harvesting has changed the age structure of the forests in the European part of Russia dramatically during the past decades. The area covered by mature and over-mature forests has decreased from 51% in 1966 to 38% in 1993. The proportion of mature and over-mature stands in the European part of Russia is only 19% of the figure for the whole country, while this region produces 57% of the annual harvest. (Strakhov et al. 1996)

However, the old-growth forests of the European part of Russia are still a world-class natural heritage (see the map in Appendix II), and the evaluation of their importance should be done in this light. The conservation of old-growth forests is not included in Russian forest legislation in any way, even in the areas where the remaining old-growth comprises only a small fraction of the total. Thus the major part of the remaining old-growth areas in the Northwest of Russia are still under acute threat, and the remaining area is getting smaller every year. The possible introduction of “softer” logging technologies will not solve the problem, as the only way to maintain the functional characteristics of old-growth areas is by protection of sufficiently large non-fragmented areas. European and other international environmental funding should urgently be directed to the protection of these forests.

Biodiversity conservation efforts in protected areas are fundamentally important, but a full program of forest biodiversity conservation must also deal with forests subjected to timber harvesting and other human intervention. Forestry practices should be developed in more ecological direction e.g. by leaving patches of mature and dead trees when harvesting, regenerating with mixed species and refraining from clear-cutting, especially in all-aged stands of shade-tolerant species (Nilsson & Shvidenko 1998).

In future, consumer demand for sustainable forestry and the application of more ecological technology in forest production will require the adoption of a new approach in nature conservation, timber harvesting, forest industries and in marketing. The moratorium on logging of old-growth forests (to which a major part of Finnish companies have committed themselves) may be seen as the first step in this direction. However, in most cases, the Russians' own timber harvesting enterprises are poorly prepared to meet the ecological demands.

4.8 A CASE STUDY: THE PJAOZERSKY LESPROMKHOZ

During the Soviet era in the 1960's, the Republic of Karelia was mainly seen as a source of raw-material, producing wood and forestry products for the needs of the Federation. Overharvesting occurred both in the ecological and economic sense. An extreme example of this development is provided by the forestry company Pjaozersky lespromkhoz. The aim of the lespromkhoz was to extend industrial loggings into even the most remote wilderness areas in northwestern Karelia.



PICTURE 11. After 25 years of operation, the Pjaozersky lespromkhoz has reduced the amount of old-growth forests in its region to 30% of their original extent. Photo: Naturschutzbund Deutschland 1996.

The village of Pjaozersky was built in 1973 in co-operation with Finland, and the lespromkhoz started exploitation of the surrounding forests. After 25 years of operation, the company has reduced the amount of old-growth forests in the region by 70%. Areas previously occupied by virgin spruce and pine forests have been transformed to young secondary forests dominated by birch and aspen. As so far there has been enough mature forest for logging, little attention has been paid to the condition of these secondary forests.



PICTURE 12. Untouched taiga in the Paanajärvi wilderness. Taiga is not just forest, but a mosaic including various types and scales of peatlands and water bodies. Photo: Naturschutzbund Deutschland 1996.

In order to maintain part of the remaining old-growth forests in the area, researchers proposed in the late 1980's that a national park covering some 180,000 hectares should be established. In 1992, the Paanajärvi National Park was established, but it covered only 103,300 hectares and excluded large areas of evident significance for the protection of biodiversity.

At present, the situation of both the lespromkhoz and the old-growth forests in the area does not look too promising. The livelihoods of the 5,000 inhabitants of Pjaozersky village are still based almost entirely on harvesting the old-growth forests. Further processing of wood is nearly negligible. Most of the wood is transported as roundwood either to Finland or to domestic mills in other parts of Karelia, giving only a fraction of the potential economic benefit, especially with respect to the scale of forestry operations in the area. It has been estimated that even if the lespromkhoz logged all the remaining old-growth forests, it would run out of forest resources within 8-12 years. A more economic utilization of the forests would extend the time to 10-15 years.

It is clear that no kind of sustainable development can be achieved in the area by clear-cutting the remaining old-growth forests. That would mean economic suicide after the exhaustion of the forest resources. It is easy to see that any long-term vision ensuring ecologically and economically sustainable development in the area must include both protection of the remaining old-growth forests and a reasonable utilization of the vast area devastated by earlier clear-cuttings.

The protection of this unique block of old-growth forest would probably be economically beneficial already in the short-term of 3-5 years. The Paanajärvi National Park is already an important employer in the area, but its economic potential, mainly through tourism, has certainly not been fully exploited. In 1999, an EU Tacis programme worth approximately FIM 20 million was initiated for the development of Paanajärvi and other Karelian parks. The programme, suggested originally by the Paanajärvi National Park, will concentrate mainly on the planning, creation and development of infrastructure and facilities necessary for larger scale tourism activities. The potential of the park as a tourist attraction can hardly be overestimated. The Paanajärvi park, situated next to the Finnish border, will be easily accessible, as the existing border station is to be opened for regular traffic. The park, together with the remaining old-growth areas around it, is without question extremely interesting for any nature or hiking oriented tourist. In addition to the absence of human activities, the area contains a number of features of special interest. The rugged landscape,

with its narrow canyons and deep lakes, provides great possibilities for a varied network of hiking routes. There are more impressive, ancient spruce dominated forests than in any other part of Karelia, and the exceptional richness of the soil, resulting in large herb-rich forests, and eutrophic fens is well-known. In addition to the natural values, the attractiveness of the area for tourism is raised by the vivid cultural history originating from the ancient settlement of the Sami people, and the cultural florescence of the Paanajärvi village in the late 1800's.

The second component needed to promote sustainable development in the area is to find a reasonable way of utilizing the vast area of secondary forest created by the earlier loggings of the lespromkhoz. These forests are currently in very poor condition, both economically and ecologically, and action is needed even to ensure that they will provide a sustainable source of raw-material for the forest industry in the future. In addition to improving the condition of the secondary forests, a meaningful development of local wood processing activities is urgently required to provide possibilities for the Pjaozersky lespromkhoz to continue its operation in the long-term.

However, the vision of developing the area through the two ways outlined above is still far from the present reality, and will remain a great challenge for the co-operation between the stakeholders, including the Pjaozersky lespromkhoz, the Paanajärvi National Park and the Finnish forest industry operating in the area.

5. EXPORTS OF RUSSIAN FOREST PRODUCTS

The total exports of forest industry products from the Russian Federation to distant countries (i.e. excluding CIS countries) in 1997 are presented in Table 6.

Roundwood	17,500,000 m ³
Sawn goods	3,900,000 m ³
Plywood	621,000 m ³
Pulpwood	970,000 tons
Paperboard	430,000 tons
Paper	1,210,000 tons

Table 6. The total exports of forest industry products from Russia in 1997. (Burdin, Myllynen & Strakhov 1998)

Figure 4. EU timber imports from Russia and the Baltic countries in 1997 by value

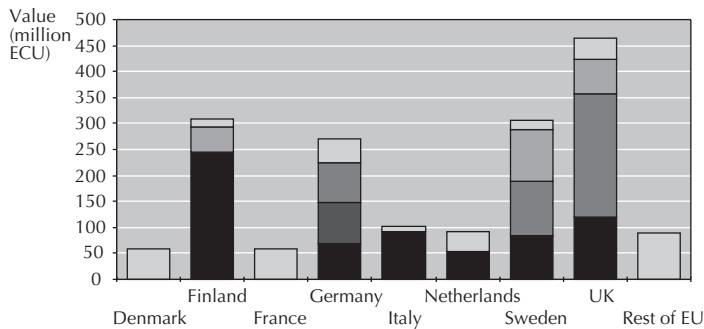
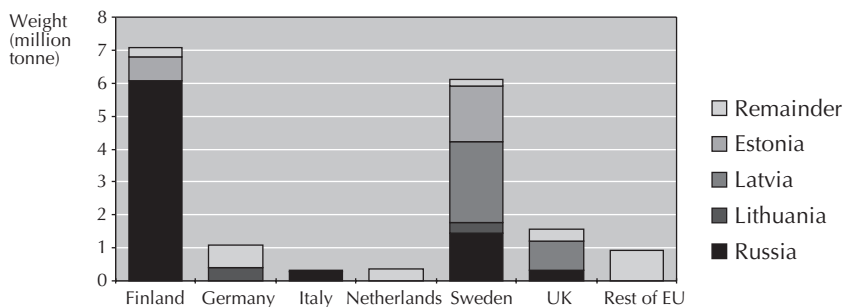


Figure 5. EU timber imports from Russia and the Baltic countries in 1997 by weight



By James Hewitt. Data from Eurostat

The shares of all timber imports to the EU countries from Russia and the Baltic countries in 1997 are given in Figures 4 (by value) and 5 (by weight). As seen from the figures, Finland, UK, Italy, Sweden, Germany and the Netherlands import the great majority (measured by value) of wood from northwestern Russia. However, measured by weight, just Finland and Sweden import the great majority of wood from northwestern Russia. The regional variation is great, e.g. the timber exported from the Republic of Karelia almost purely all goes to Finland (as much as 97% in 1994).

It can be concluded from the figures that the unit prices vary greatly, the price of the timber imported to UK is nearly ten times higher (measured per weight) than the price of timber imported to Finland. This is partly due to transportation costs and the scale of operation, but mainly to the level of processing of the products: Finland and Sweden import mainly roundwood, whereas more highly processed products are headed for the other countries. Thus the economic benefit Russia gains from Finnish companies is extremely small when compared with the vast areas exploited for the purpose.

Taking into account the whole of Russia, Japan has a similar dominant role as an importer of timber from the Russian Far-East as Finland from northwestern Russia. The proportions (by destination) of roundwood exported from all of Russia are given in Table 7. In 1997, Finland's proportion was 43%, and since imports to Finland reached a peak in 1998, nowadays Finland's role is probably even more dominant.

	1994	1995	1996
Japan	42.3%	34.5%	37.7%
Finland	39.1%	42.2%	37.0%
Sweden	7.5%	8.9%	7.7%
Norway	3.6%		
China	3.2%		
South-Korea	3.0%		
Italy	1.1%		
Germany	0.2%		
United Kingdom	0.1%		
Total (million m ³)	13.8	18.46	15.27

Table 7. Roundwood exports from Russia in 1994 (Strakhov et al. 1996) and log exports from Russia in 1995 and 1996 (Gareyev et al. 1998).

The major importers of sawn goods from Russia in order of amount imported in 1990-1996 were the following: United Kingdom, Egypt, Germany, Japan, Italy, Finland, Lebanon, France, Syria, Hungary, Tunisia, Netherlands, Turkey, Spain, Austria, Greece, China, Belgium, Jordan, Morocco, Denmark and Iceland.

The major importers of pulp from Russia in order of amount imported in 1990-1996 were the following: Sweden, Netherlands, Italy, Republic of Korea, Germany, France, United Kingdom, China, Bulgaria, Finland, Poland, Egypt, India and Japan. (Burdin, Myllynen & Strakhov 1998)

Russia exports roundwood from two major regions: the Northwest and the Far-East. The central part of Russia, especially Siberia, has so far remained without major exploitation by foreign companies. The distribution of roundwood exports between the economic zones of Russia is given in Table 8.

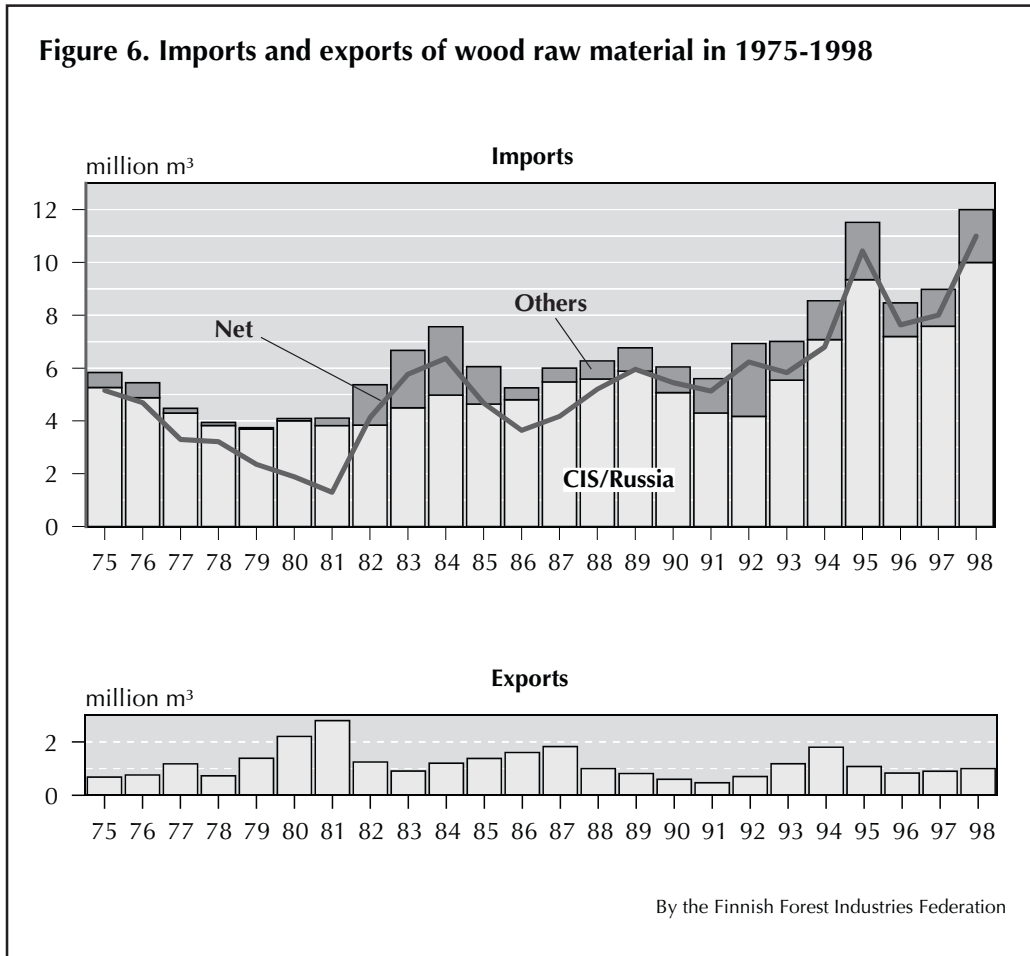
Northern zone	58%
Far Eastern zone	25%
Ural zone	4%
East-Siberian zone	3%
Volgo-Viatsky zone	2%
North-Western zone	2%
Central zone	2%

Table 8. Exports of roundwood from the different economic zones of Russia in 1994-1996. Northern zone = Murmansk Oblast, Republic of Karelia, Arkhangelsk Oblast & Nenets area, Vologda Oblast, Republic of Komi. North-Western zone = Leningrad Oblast, Novgorod Oblast and Pskov Oblast. (Burdin, Myllynen & Strakhov 1998)

5.1 THE ROLE OF THE FINNISH FOREST INDUSTRY IN RUSSIA

In 1998, Finnish imports of wood from all countries totalled 12 million m³. Imports make up about 17% of all wood used by the Finnish forest industry. As seen from Figure 6, the amount is larger than ever before. The latest “record” was 11.3 million m³ in 1995.

Of all imported wood, the vast majority, 10.0 million m³, came from Russia. Among the members of the Finnish Forest Industries Federation, 84% of imported wood came from Russia, 9 657 million m³ in total. The rest of the imported wood came mainly from the Baltic countries (13%), and from the member states of the EU (2%), see Figure 7.



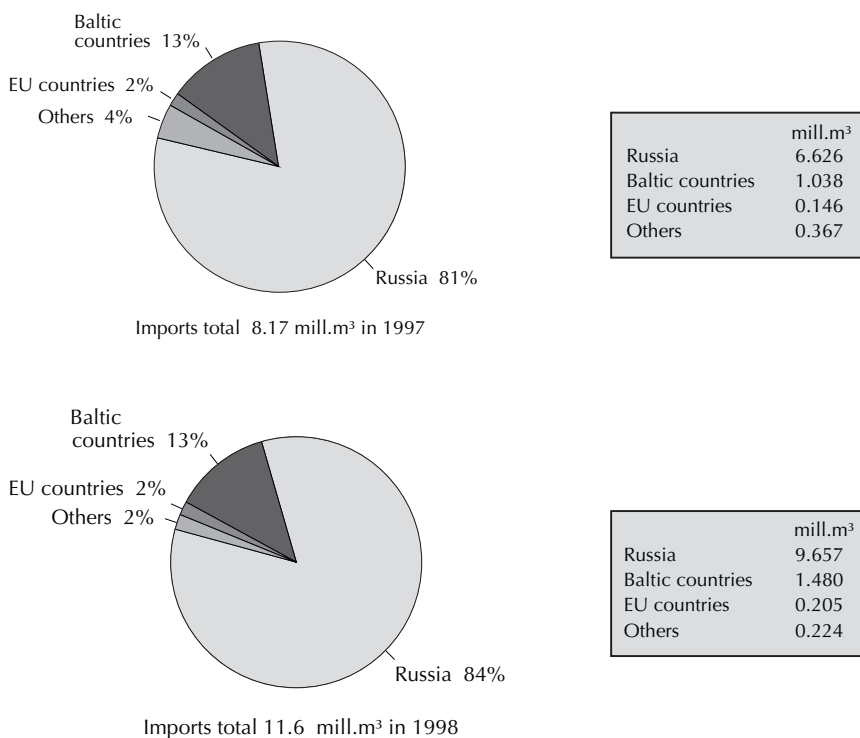
The above figures are given by the Finnish Forest Industries Federation. Looking at the Russian statistics can give a totally different picture. As an example Table 9 shows the roundwood imports to Finland from Russia in 1994 reported by the Finnish forest industries compared with the Russian statistics.

The Russian statistics are for wood without bark, while the Finnish statistics are for wood with bark, and this explains part of the difference. The other part of the explanation is that the Russian customs lack adequate means of controlling the weight of loads and cargoes, so there are plenty of opportunities for the exporters to avoid paying full customs fees.

The large proportional share of the Republic of Karelia and the Leningrad Oblast (Table 9) reported by the Finnish forest industry, results partly from the Russian timber trade agents, who work in Karelia and Leningrad. The timber delivered by these agents is often bought from other, more distant regions of the Northwest of Russia. (Strakhov et al. 1996)

Finland imports mostly pulpwood: approximately 90% of the imported wood is pulpwood, 7% sawlogs and veneer logs and 3% waste wood and chips. Japan, for instance, consumes mostly sawlogs for construc-

Figure 7. Imports of roundwood and chips to members of the Finnish Forest Industries Federation in 1997–1998



By the Finnish Forest Industries Federation

	Imports to Finland, (by Finnish companies)	Exports from Russia to all countries (by Russian statistics)
Leningrad Oblast	1,097,500	62,086
Rep. of Karelia	1,618,500	731,414
Murmansk Oblast	44,000	52,495
Arkhangelsk Oblast	40,750	158,157
Rep. of Komi	160,750	228,666
Vologda Oblast	1,336,500	751,395
Perm Oblast	20,000	-
Novgorod Oblast	240,750	139,569
Kirov Oblast	80,000	-
Other areas (incl. Moscow, Vladimir, Kostroma, Yaroslavl, Sverdlovsk, Tyumen)	1,792,250	-
Total	6,431,000	

Table 9. Comparison between Finnish import and Russian export statistics. Roundwood imports (in cubic meters) to Finland from Russia in 1994 reported by the Finnish forest industries compared with the Russian statistics (Strakhov et al. 1996).



PICTURE 13. Finland imports mostly roundwood, while more processed products are headed to other countries. Photo: Otso Ovaskainen 1997.

tion purposes. More highly processed products are headed to other countries.

The price for roundwood paid by the Finnish companies is made up of many different kinds of taxes, harvest and transportation costs, customs fees and especially, of “other costs”. These other costs can be, for example, as much as 155 FIM/m³ out of 240 FIM/m³, which was the total cost of birch sawlogs in 1995. A large component of the other costs is said to be “insurance money” to ensure that “loads are delivered safely to the border”. (Gareyev et al. 1998, Strakhov et al.) The European Bank for Reconstruction and Development states that corruption in the countries of the Commonwealth of Independent States, including Russia, is higher than in any other region of the world. Corruption affects also the Russian forest sector. Some 60% of the total delivered cost of wood exported from European Russia to Finland is linked to corruption. (Nilsson & Shvidenko 1998)

5.2 THE STRUCTURE OF OPERATIONS OF FINNISH COMPANIES

Companies in the Finnish forest industry and their contractors harvest 5% of the timber from Russia themselves, while 47% is harvested by Russian companies and 48% is purchased from trading companies and agents. These, in turn, mostly employ Russian harvesting firms, although also Finnish firms are used in the vicinity of the Finnish border and neighbouring areas.

In addition to the large companies of the Finnish forest industry, there are many small Finnish timber harvesting contractors working in Russia with their own machinery (in 1996 more than 100). Most of them operate in the Republic of Karelia (about 100) and in the Leningrad Oblast (about 20). These contractors mostly provide services either for Russian agents and timber harvesting enterprises, or for foreign companies and agents who buy timber from Russia. A few of the contractors are involved in the timber trade themselves.

All documents are written in Russian, consequently it is difficult for foreigners to get acquainted with directives, laws etc. As a result, the contractors themselves are unable to assess the legality of proposed activities. In some cases, for instance, timber is sold from existing or projected conservation areas, usually to foreign companies, who are less likely to know about the conservation plans. The prevailing directives and laws may also be unknown to the contracting parties and even the controlling bodies because of their constantly changing nature.

Partners often fail to fulfil their commitments. This concerns both the Finnish and Russian parties to contracts, and it results from the fluctuation prevailing in legislation, practice and supervision, which provides opportunities for the parties to contracts taking a short term view to derive economic benefit from illegal operations. In many cases the periodical use of foreign harvesting enterprises is the only possibility for



PICTURE 14. A logging road being constructed inside an old-growth forest area near Mezen, Arkhangelsk Oblast. Photo: Petteri Tolvanen 1996.

the Russian timber purchasers to continue their activity. In many areas it is not possible to find Russian wood harvesting capacity, especially for thinnings and intermediate felling (Strakhov et al. 1996).

5.3 ECOLOGICAL IMPACT OF THE RUSSIAN – FINNISH TIMBER TRADE

Having such a major role in the Russian forest industry (40% of exports, operations in at least 30 members of the Federation, covering practically the whole of European Russia), it is clear that the ecological impact of Finnish companies on the Russian taiga can hardly be overestimated. During the last decades, the Finnish forest industry has been a major participant in the destruction of old-growth forests in the Northwest of Russia. Even now the situation has not changed in most of the regions, and the share of old-growth forests



PICTURE 15. Most of the Finnish companies have made a commitment to the moratorium on logging of old-growth forest in Karelia. However, some have not. These 600 year-old pines, waiting for further transportation at the Finnish-Russian border station Vartius, certainly did not grow in an ordinary commercial forest. Photo: Risto Sauso 1999.

still decreases dramatically every year.

The destruction of the large unified old-growth forests is, without question, the main ecological problem caused by the Russian-Finnish wood trade in the Northwest of Russia. However, as described in Section 3.1, further south, along the zones of central and especially southern taiga, the situation is essentially different. There are no large old-growth areas left, and the valuable areas remaining are spread in a small-scale mosaic throughout the zones. This is the case especially in the Oblasts of Leningrad and Vologda, where the Finnish companies are very active. A map showing the valuable areas in Karelian Isthmus, located in the Leningrad Oblast, has been under preparation by local Russian and Finnish non-governmental organisations for a long time (see the map in Appendix V). Satellite technology does not provide such an obvious tool here as in the north, where the large old-growth areas are easily distinguishable from the images. Thus the task of designating the valuable areas requires a lot of work in relation to the size of area being analyzed. However, comparing the preliminary results to the logging activities, it is evident that practically all valuable areas in the Karelian Isthmus are either fragmented by current loggings by Finnish companies, or at least under acute threat.

As described in Section 1.1, most of the Finnish companies have committed themselves to the old-growth logging moratorium, meaning that they will not log in areas designated as valuable by Russian non-governmental organisations (see the maps in Appendices III and IV). So far this concerns only Karelia and Murmansk, but as the maps of the frontier forests (large non-fragmented old-growth forest areas) in Arkhangelsk, Komi and Vologda have recently been published (see the map in Appendix II), there is some hope that the companies will make a commitment to the moratorium for these regions as well.

At the same time, the Finnish companies are expanding their procurement areas rapidly in all directions. Towards Siberia in the east, Stora Enso has already started procurement from the Khanty-Mansi area located east and south-east from the Komi Republic. Towards the south and south-east, Stora Enso, UPM-Kymmene and some other companies have greatly expanded into new areas, so that the southern border of the procurement area currently runs (from west to east) through the Oblasts of Bryansk, Kaluga, Moscow, Ryazan and Nizhny Novgorod, the Republics of Chuvashia, Tatarstan and Batshkortostan, and finally the Oblasts of Chelyabinsk, Sverdlovsk and Tyumen.

How much is known about the natural values of these areas, and how much of this knowledge is utilized in the companies' decision making concerning wood procurement? Probably the answer would not be much more encouraging than for the areas close to Finland before the moratorium was initiated there by non-governmental organisations.

As a conclusion, it can be said that most of the Finnish companies realize the ecological significance of maintaining biodiversity in Russian forests, or at least its implications for their environmental reputation,



PICTURE 16. Old-growth forest in the Republic of Batshkortostan, Southern Ural. Stora Enso started procurements from Batshkortostan in 1998. Hopefully this forest is not included. Photo: Otso Ovaskainen 1997.

but the companies are not ready to make concrete action on their own initiative. Mapping valuable areas – even by satellite technology – requires considerable resources, both in terms of money, time and professional personnel. Although the Russian Forest Club (Greenpeace Russia, Biodiversity Conservation Center and Socio-Ecological Union) is very strong and experienced, they have no chance of keeping up with the speed with which the Finnish companies are expanding their operations. Thus it is absolutely clear that invaluable natural areas all over European Russia are currently being destroyed by Finnish companies.

5.4 SOCIAL AND ECONOMIC IMPACT OF THE RUSSIAN – FINNISH TIMBER TRADE

It has been frequently argued by the Finnish forest industry that its involvement in Russia is urgently needed for the improvement of northwestern Russia's bad economic situation, as well as for the development of the domestic forestry sector in Russia.

However, it is easy to give arguments showing that the involvement of the Finnish forest industry has often had more negative than positive effect on the local economies. The major problem here is structural. The Finnish forest industry still considers the Northwest of Russia mainly as an endless source of cheap raw-material, not as an equal partner in development of the forestry sector as a whole. This has resulted in a situation where, in contrast to most other countries, the Finnish forest industry imports mainly roundwood from Russia. Especially in the regions close to Finland, where the Finnish contractors do most of the forestry work themselves, using Finnish equipment and Finnish employees, it is hard to see the benefit for the local communities. Even from the low stumpage fees and payments for leases, a major part goes either to the federal budget or is in one way or another linked to corruption.

In addition to the criticisms made by non-governmental organisations, the structure of the wood trade has recently aroused opposition from the Russian authorities. The Chairperson of the Karelian Republic, Sergei Katanandov, stated in January 1999 (Karelia no. 5/1999), that the domestic wood processing mills suffer from lack of raw-material as a result of exports of roundwood to Finland. The same problem is addressed e.g. in *Severnyi Kurier* 28.1.1999, heavily criticizing the actions of Ladsenso (the joint venture of Stora Enso) for exporting roundwood for processing on the Finnish side. A more active involvement of the local people and local budget within the process is required. According to the article, in some subregions practically all exploitable forest has been leased, leaving the local farmers no forest resources for construction and household purposes.

The partnership between Finnish forest companies and the Russian administration e.g. in the Viena area, Republic of Karelia, is considered by local people more as a continuation of the old mode of colonialism. The Viena forests are under the control of the Lespromkhozoes of Uhtua and Kostomuksha coordinated by the Karellesprom in Petrozavodsk. The right of access to local timber resources is under the jurisdiction of the old administration, which still leaves the local farmers and forest entrepreneurs quite insecure about their future. The forest villages, in fact, suffer from a shortage of wood. (Lehtinen, 1994)



PICTURE 17. "Waste wood" being burned in a pile next to a road. The wood originates from logging by a Finnish company in the Kalevala Park area. At the same time the nearby Voknavolok village was suffering from a shortage of fuelwood. Photo: Otso Ovaskainen 1997.

6. A DETAILED DESCRIPTION OF THE FINNISH FORESTRY COMPANIES INCLUDED IN THE STUDY

We included in the study all Finnish forest product companies which, for one reason or another, were believed to have operations in Russia. By these criteria 40 companies were chosen and contacted, and received a questionnaire. Of the companies 9 reported that they had no forestry operations in Russia; 4 said that they had operations, but refused to give any further information; and 5 said that they had operations, but did not return the questionnaire in time to be included in the study. The present report includes information about the Russian operations of the remaining 22 Finnish forestry companies. As there are more than 100 Finnish companies operating in Russia, we reached only a fraction of the total.

On the other hand, most of the major companies have been included, and most of the timber flow has been accounted for. Summing the annual procurement figures of the companies that replied to the questionnaire we get about 8.7 million m³, which is 87% of the total import of 10.0 million m³ in 1998. Thomesto and Aranna are excluded from the above figures, as they work as subcontractors for Stora Enso and UPM-Kymmene (and Swedish Modo), and the imports by the subcontractors are included in the figures of their clients. There is a small overlap in the case of some other companies as well, and we estimate that about 85% of the timber flow from Russia to Finland has been included.

Stora Enso and UPM-Kymmene dominate timber imports from Russia to Finland. Together these two multinational companies are responsible for 75% of imports. Thomesto is a major importer as well, with 2 million m³ annually.

The procurement areas of the Finnish companies that answered the questionnaire are shown in Figure 8. The areas cover much of European Russia; they are located in more than 30 members of the Russian Federation.

Out of the 22 companies answering the questionnaire, 10 declared that they have committed themselves to the moratorium on old-growth forest logging in Karelia and Murmansk. The remaining 12 were in various stages of considering commitment or refusing commitment. Of the timber imported by the 22 companies, more than 96% came through companies that were committed to the moratorium. We estimate that somewhat more than 80% of the total timber flow from Russia to Finland comes through companies with a positive disposition towards conservation as shown by their commitment to the old-growth-forest moratorium in Karelia and Murmansk.

The forestry companies were asked to estimate the proportion of Finnish forestry operations in Russia that were affected by confusion in licences or in the payment of taxes and duties. Most of the companies did not want to give an estimate. The five estimates that were given were 1%, 5%, 20%, 40% and 50%.

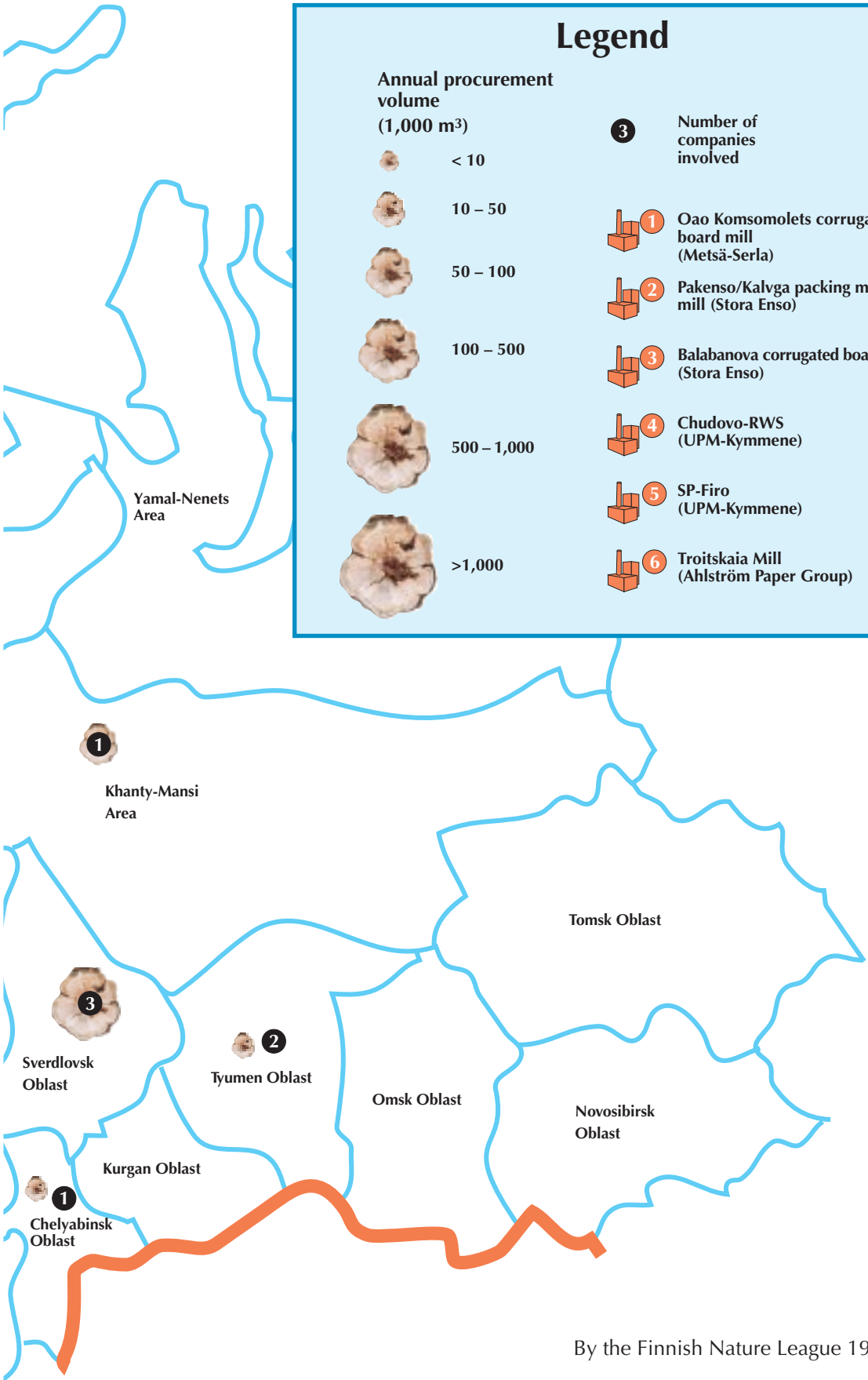
Legend

Annual procurement volume
(1,000 m³)



3 Number of companies involved

- 1** Oao Komsomolets corrugated board mill (Metsä-Serla)
- 2** Pakenso/Kalvga packing material mill (Stora Enso)
- 3** Balabanova corrugated board mill (Stora Enso)
- 4** Chudovo-RWS (UPM-Kymmene)
- 5** SP-Firo (UPM-Kymmene)
- 6** Troitskaia Mill (Ahlström Paper Group)



The following companies were contacted during the inquiry.

1. *Companies with forestry operations in Russia that have answered the questionnaire.*

- Stora Enso Oyj
- UPM-Kymmene Oyj
- Thomesto Oy
- Aranna Oy
- Vapo Timber Oy
- Sirius Oy
- Finnortimber Oy
- Koskitukki Oy
- Heikki Kokkonen Oy
- Kuhmo Oy
- IKEA Group
- Martinniemen Saha Oy / Vainionpää Group
- Pölkky Oy
- Jorma Pennanen
- Idän Poikkipuu Oy
- Iisalmen Puuainos Oy
- Interpuu Oy
- Aureskoski Oy
- Outokummun puu Oy
- Kainuun Mänty Oy
- Finn Arkal Oy
- Vierumäen Teollisuus Oy

2. *Companies with forestry operations in Russia that have not yet answered the questionnaire.*

- Aroniawood Oy
- Finntrading V. Väisänen
- Kar-Wood Oy
- Kiteen Höyläämö Ay
- Sahatorni Ky

3. *Companies with forestry operations in Russia that explicitly refused to answer the questionnaire.*

- Metsäliitto / Metsä-Serla. **NOTE:** According to the Finnish Forest Industries Federation (FFIF 1998), Metsä-Serla owns the Oao Komsomolets corrugated board mill in Kommunar and the Kuban corrugated board mill in Kuban.
- Myllyniemen Saha Oy
- Siekkelin Saha Ky. **NOTE:** Siekkelin Saha does not operate itself in Russia, but it purchases wood from suppliers.
- Voitto Karppinen Oy

4. *Companies that answered the questionnaire, but declared no forestry operations in Russia.*

- A. Ahlström Oy. **NOTE:** This concerns only import of roundwood. Ahlström Paper Group owns the Troitskaia Mill in Kondrovo. The company also declared, that they import pulp from all parts of the world, possibly also from Russia.
- Fort James Finland
- Huhtilammen Puupalvelu Wood Service Ltd
- Iisalmen Sahat Oy
- Karjalan Konepojat Oy
- Paloheimo Oy
- Parme Oy Humpilla
- Veisto-Rakenne Rautio Oy
- Visaha Ky

For each company, the structure of its forestry operations in Russia is described systematically with respect to the following features: type of forestry operations, procurement areas and volumes, main tree species used, attitude to the moratorium, and knowledge of wood origin. All data given below has been obtained directly from the companies' answers to the questionnaire. The companies are presented in order of the reported size of their forestry operations in Russia.

A summary of the companies operations is given in Appendix I.

6.1 STORA ENSO OYJ

Contact person: Veli-Matti Rytönen

1. Type of forestry operation in Russia

- Procures wood for further processing.
- The Stora Enso subsidiary Pakenso owns Kalvga packing material mill and Balabanova corrugated board mill. Stora Enso is a partner in the joint venture Ladseno Forestry Company in Karelia.
- Performs logging itself and also uses logging subcontractors.
- Both performs transportation and uses transport subcontractors.

2. Procurement areas in 1998 (1997 in parentheses)

2.1. Annual procurement $> 500,000 \text{ m}^3$

- Leningrad (also $>500,000 \text{ m}^3$ in 1997)
- Karelia ($>500,000 \text{ m}^3$)

2.2. Annual procurement $100,000 \text{ m}^3 - 500,000 \text{ m}^3$

- Vologda (also $100,000-500,000 \text{ m}^3$ in 1997)
- Kirov ($100,000-500,000 \text{ m}^3$)
- Novgorod ($50,000-100,000 \text{ m}^3$)
- Sverdlovsk ($50,000-100,000 \text{ m}^3$)
- Kostroma ($50,000-100,000 \text{ m}^3$)
- Arkhangelsk ($50,000-100,000 \text{ m}^3$)
- Nizhny Novgorod ($50,000-100,000 \text{ m}^3$)
- Moscow ($50,000-100,000 \text{ m}^3$)
- Vladimir ($50,000-100,000 \text{ m}^3$)
- Perm ($50,000-100,000 \text{ m}^3$)

2.3. Annual procurement $50,000 \text{ m}^3 - 100,000 \text{ m}^3$

- Yaroslavl ($10,000-50,000 \text{ m}^3$ in 1997)
- Tver (-)
- Pskov ($10,000-50,000 \text{ m}^3$)

2.4. Annual procurement $10,000 \text{ m}^3 - 50,000 \text{ m}^3$

- Smolensk (also $10,000-50,000 \text{ m}^3$ in 1997)
- Khanty-Mansi (-)
- Udmurtia ($<10,000 \text{ m}^3$)
- Komi ($<10,000 \text{ m}^3$)
- Batshkortostan (-)
- Kaluga ($<10,000 \text{ m}^3$)
- Mariy-El ($<10,000 \text{ m}^3$)

2.5. Annual procurement $< 10,000 \text{ m}^3$

- Chuvashia (-)
- Bryansk (-)
- Tyumen (-)
- Ivanovo (-)
- Ryazan (-)
- Chelyabinsk (-)

3. *Annual procurement volume*
 - 5,500,000 m³ (3,800,000 m³ in 1997)
4. *Main tree species used*
 - Mainly birch (pulpwood), smaller amounts of pine, spruce etc.
5. *Moratorium*
 - Commitment made.
6. *Knowledge of wood origin*
 - “The logging sites are registered.”

6.2 UPM-KYMMENE OYJ

Contact person: Jukka Olkkonen

1. *Type of forestry operation in Russia*

- Procures wood for further processing.
- Partly owns SP Firo (St. Petersburg), and Chudovo-RWS (Chudovo).
- Develops directions for maintaining biodiversity in forests.
- Co-operation with Russian researchers, officials and wood suppliers.
- 90% of wood is transported by railway. Transports wood and uses Finnish subcontractors on the Karelian Isthmus.

2. *Procurement areas*

· Leningrad	580,000 m ³
· Novgorod	300,000 m ³
· Vologda	220,000 m ³
· Pskov	200,000 m ³
· Kirov	140,000 m ³
· Sverdlovsk	140,000 m ³
· Kostroma	120,000 m ³
· Tver	70,000 m ³
· Arkhangelsk	60,000 m ³
· Komi	50,000 m ³
· Karelia	30,000 m ³
· Moscow	30,000 m ³
· Yaroslavl	12,000 m ³
· Ivanovo	12,000 m ³
· Mariy-El	12,000 m ³
· Vladimir	10,000 m ³
· Nizhny Novgorod	9,000 m ³
· Udmurtia	1,000 m ³
· Tatarstan	1,000 m ³
· Tyumen	1,000 m ³
· Bryansk	1,000 m ³

Most of the wood registered above for Arkhangelsk originates actually from the northern part of Vologda, from where it is transported to the nearby railway stations in Arkhangelsk.

3. *Annual procurement volume in 1998*

- 2,000,000 m³ (2,600,000 m³ in 1997)

4. *Main tree species used*

- Pine (pulpwood)
- Birch (pulpwood)
- Wood-chips

5. *Moratorium*

- Commitment made.

6. Knowledge of wood origin

- “At least leskhoz and storage area. If special natural values exist in the area, then the origin of the wood is known by the logging site”

6.3 THOMESTO OY

Contact person: Mika Viitala

1. Type of forestry operation in Russia

- Procures wood for further processing.
- Works as a subcontractor for Stora Enso, UPM-Kymmene and MoDo.
- Owns Thomforest (Moscow), Thomesto Novgorod, Thomesto Vologda, Mari-Forest, Thomesto Vjatka and Thomesto Terminal St. Petersburg.
- Uses Russian logging subcontractors.
- Uses Russian railways for transportation

2. Procurement areas

2.1. Main procurement areas

- Vologda
- Kirov
- Perm
- Sverdlovsk

2.2. Other procurement areas

- Leningrad
- Novgorod
- Yaroslavl
- Kostroma
- Moscow
- Vladimir
- Nizhny Novgorod
- Mariy-El

3. Annual procurement volume in 1997

- 2,000,000 m³

4. Main tree species used

- Spruce (saw-timber)
- Pine (pulpwood)
- Birch (saw-timber)
- Birch (pulpwood)
- Aspen (pulpwood)

5. Moratorium

- No commitment (operations in Karelia negligible)

6. Knowledge of wood origin

- “By logging site”

6.4 ARANNA OY

Contact person: Kirsti Rahunen

1. Type of forestry operation in Russia

- Works as a subcontractor for UPM-Kymmene and Stora Enso.
- Wood trade, sales of forestry machines.

- Uses logging subcontractors.
- Uses railways for transportation.

2. *Procurement areas*

- Leningrad 50,000 m³
- Novgorod 50,000 m³
- Tver 50,000 m³
- Pskov 37,500 m³
- Vologda 25,000 m³
- Karelia 12,500 m³
- Other regions 25,000 m³

3. *Annual procurement volume in 1998*

- 250,000 m³ (500,000 m³ in 1997), of which 225,000 m³ pulpwood and 25,000 m³ saw-timber

4. *Main tree species used*

- Spruce (saw-timber)
- Pine (pulpwood)
- Birch (pulpwood)

5. *Moratorium*

- No commitment
- Knows about it
- Wants further information

6. *Knowledge of wood origin*

- "Railway station and lesnichestva (local logging district), by logging site if necessary"

6.5 VAPO TIMBER OY

Contact person: Mauri Koskela

1. *Type of forestry operation in Russia*

- Procures wood for further processing.
- Works as a subcontractor (pulpwood and secondary products of saw-mills to Finnish industry).
- Uses Finnish logging and transportation companies.
- Offers logging services.

2. *Procurement area*

- Karelia

3. *Annual procurement volume in 1997*

- 250,000 m³

4. *Main tree species used*

- Spruce (saw-timber)
- Pine (saw-timber)

5. *Moratorium*

- Commitment made

6. *Knowledge of wood origin*

- "The logging sites are registered"

6.6 SIRIUS OY

Contact person: Pertti Purmonen

1. *Type of forestry operation in Russia*

- Procures wood for further processing.
- Works as a subcontractor.
- Performs logging.
- Transports wood.
- Reforestation and tillage.

2. *Procurement area*

- Karelia (Suojärvi, Sortavala, Pitkäranta)

3. *Annual procurement volume*

- Ca. 200 000 m³ (total volume of all operations in Russia)

4. *Main tree species used*

- Spruce (saw-timber and pulpwood)
- Pine (saw-timber and pulpwood)
- Birch (saw-timber and pulpwood)

5. *Moratorium*

- No commitment
- Knows about it
- Wants further information

6. *Knowledge of wood origin*

“Knows the origin exactly”

6.7 FINNORTIMBER OY

Contact person: Ilkka Wennervirta

1. *Type of forestry operation in Russia*

- Procures wood for further processing

2. *Procurement area*

- Leningrad

3. *Annual procurement volume in 1997*

- 180 000 m³

4. *Main tree species used*

- Spruce (saw-timber)

5. *Moratorium*

- Commitment made

6. *Knowledge of wood origin*

- “Logging site”

6.8 KOSKITUKKI OY

Contact person: Kari Wuolijoki

1. *Type of forestry operation in Russia*

- Procures wood for further processing.
- Uses Russian logging subcontractors.
- Transports wood by ship, uses Russian subcontractors for road and rail transport.

2. Procurement areas in 1998

2.1. Annual procurement 30,000 – 50,000 m³

- Vologda

2.2 Annual procurement 10,000 – 30,000 m³

- Leningrad
- Novgorod
- Moscow
- Kostroma

2.3 Annual procurement <10,000 m³

- Kirov
- Vladimir
- Nizhny Novgorod

3. Annual procurement volume in 1998

- 165,000 m³ (100,000 m³ in 1997)

4. Main tree species used

- Spruce (saw-timber)
- Birch (saw-timber)

5. Moratorium

- Commitment made

6. Knowledge of wood origin

- “At least to harbour or railway station. The logging sites are also known, but individual wood deliveries cannot be traced to specific sites.”

6.9 HEIKKI KOKKONIEMI OY

Contact person: Heikki Kokkonieniemi

1. Type of forestry operation in Russia

- Procures wood for further processing.
- Sells pulpwood and wood-chips to Stora Enso.
- Performs logging.
- Transports wood.

2. Procurement area

- Karelia (Kostomuksha and Kalevala)

3. Annual procurement volume in 1997

- 70,000 m³

4. Main tree species used

- Spruce (pulpwood)
- Spruce (saw-timber)
- Pine (pulpwood)
- Pine (saw-timber)
- Birch (pulpwood)

5. Moratorium

- Commitment made

6. Knowledge of wood origin

- “With 100%”

6.10 KUHMO OY

Contact person: Lauri Nakari

1. *Type of forestry operation in Russia*
 - Procures wood for further processing.
2. *Procurement area*
 - Karelia
3. *Annual procurement volume in 1997*
 - 70,000 m³
4. *Main tree species used*
 - Spruce (saw-timber)
 - Pine (saw-timber)
 - Small-sized saw-timber
5. *Moratorium*
 - Commitment made
6. *Knowledge of wood origin*
 - “Logging site / kvartal”

6.11 IKEA GROUP

Contact person: Helena Levänen

The data given below includes the whole international Ikea Group.

1. *Type of forestry operation in Russia*
 - Procures glueboard for further processing.
 - Cooperates with Russian furniture industry.
 - Uses forwarding companies contracted to perform the transportation of ready-made furniture to west.
2. *Furniture suppliers procurement areas*
 - 2.1 *Annual procurement 50,000 m³ – 100,000 m³*
 - Leningrad
 - 2.2 *Annual procurement <10,000 m³*
 - Vologda
 - Novgorod
3. *Suppliers annual procurement volume*
 - 67,500 m³
4. *Main tree species used*
 - Ready-made furniture in pine and birch
5. *Moratorium*
 - No commitment
 - Knows about it
 - Wants further information
6. *Knowledge of wood origin*
 - “Furniture suppliers register continuously on Ikea forest identification form”

6.12 MARTINNIEMEN SAHA OY/ VAINIONPÄÄ GROUP

Contact person: Asko Vainionpää

1. *Type of forestry operation in Russia*

- Procures wood for further processing.
- Performs logging.
- Transports wood.

2. *Procurement area*

- Karelia (Kostomuksha)

3. *Annual procurement volume in 1997*

- 50,000 m³

4. *Main tree species used*

- Spruce (saw-timber)
- Pine (saw-timber)

5. *Moratorium*

- Commitment made

6. *Knowledge of wood origin*

- "100%"

6.13 PÖLKKY OY

Contact person: Pekka Virranniemi

1. *Type of forestry operation in Russia*

- Procures wood for further processing.
- Operates as a consultant for roundwood quality and cutting, and saw-mill operations.
- Main co-operation companies: Pjaozersky lespromkhos and Kiestinki Sokes.
- Uses subcontractors Toivo Ahola and Pentti Alajoutsijärvi for logging.
- Uses subcontractor Kantola & Koramo for transportation

2. *Procurement area*

- Karelia (Pääjärvi, Kalevala, Kiestinki)
- Murmansk (Kantalahti)

3. *Annual procurement volume*

- Ca. 50,000 m³

4. *Main tree species used*

- Spruce (saw-timber)
- Pine (saw-timber)

5. *Moratorium*

- Commitment made

6. *Knowledge of wood origin*

- "All purchases are checked at the site"

6.14 JORMA PENNANEN

Contact person: Jorma Pennanen

1. *Type of forestry operation in Russia*

- Procures wood for further processing.

- Works as a subcontractor for Stora Enso and Swedish companies.
- Performs logging.
- Transports wood.
- Main cooperation companies are Swedish.

2. *Procurement areas*

- Karelia
- Murmansk

3. *Annual procurement volume*

- 30,000 – 40,000 m³

4. *Main tree species used*

- Spruce (saw-timber and pulpwood)
- Pine (saw-timber and pulpwood)

5. *Moratorium*

- Commitment made

6. *Knowledge of wood origin*

- “Knows the origin”

6.15 IDÄN POIKKIPUU OY

Contact person: Vesa Turunen

1. *Type of forestry operation in Russia*

- Procures wood for further processing.
- Works as a subcontractor for Swedish, Norwegian and German companies.
- Uses Russian logging subcontractors.
- Transports wood.

2. *Procurement area*

- Karelia
- Leningrad (Viipuri)

3. *Annual procurement volume*

- Ca. 30,000 m³

4. *Main tree species used*

- Spruce (saw-timber)
- Fuelwood

5. *Moratorium*

- No commitment

6. *Knowledge of wood origin*

- “Over 90%”

6.16 IISALMEN PUUAINES OY

Contact person: Asko Karhunen

1. *Type of forestry operation in Russia*

- Works occasionally as subcontractor for Karelian industry, Kontupohja, Svetogorsk, UPM-Kymmene, Metsäliitto, private Russian sites and Finnish woodworking industry.
- Performs logging.
- Transports wood.

- Logging and transportation services.
- Consultation for harvesting and reforestation.
- Main cooperation companies: Russian and foreign companies, lespromkhoses.

2. *Procurement areas*

- Leningrad
- Karelia

3. *Annual procurement volume*

- 20,000 m³

4. *Main tree species used*

- Spruce (saw-timber and pulpwood)
- Pine (saw-timber)
- Birch (saw-timber and pulpwood)

5. *Moratorium*

- No commitment
- Wants further information

6. *Knowledge of wood origin*

- “Exactly”

6.17 INTERPUU OY

Contact person: Lasse Kokko

1. *Type of forestry operation in Russia*

- Procures wood for further processing.
- Other types of operations (not specified).
- Uses logging subcontractors.
- Transports wood (25%) and uses transport subcontractors (75%).

2. *Procurement areas*

- Leningrad
- Karelia
- Vologda

3. *Annual procurement volume*

- 15,000 – 20,000 m³

4. *Main tree species used*

- Pine (saw-timber)
- Pine (for pillars)
- Birch (saw-timber)

5. *Moratorium*

- No commitment

6. *Knowledge of wood origin*

- “99%”

6.18 AURESKOSKI OY

Contact person: Toivo Paloneva

1. *Type of forestry operation in Russia*

- Procures wood for further processing.

- Purchases saw-timber from a Finnish trading company.
- Uses the subcontractor Puravida Oy for transportation.
- Other types of operations (not specified).
- The main cooperation company is the Finnish company Puravida Oy.

2. *Procurement areas*

- Leningrad
- Karelia

3. *Annual procurement volume*

- 10,000 m³

4. *Main tree species used*

- Spruce (saw-timber)
- Pine (saw-timber)

5. *Moratorium*

- No commitment
- Wants further information

6. *Knowledge of wood origin*

- “By logging site”

6.19 OUTOKUMMUN PUU OY

Contact person: Aimo Laasonen

1. *Type of forestry operation in Russia*

- Procures wood for further processing.
- Works as a subcontractor for Stora Enso and UPM-Kymmene.
- Performs logging.
- Uses the logging services of subcontractors such as Koneurakointi Ervasti ja Muuronen.
- Uses the transportation services of the Szepaniak companies, Motoline Oy and Erkki Pesonen.
- Imports woodchips and sawn goods to Finland.
- The main co-operation companies are Firma Lahti (Hiidenselkä sawmill), Suojärvi Lespromkhos, Carlis Wärtsilä sawmill and Lahdenpohja sawmill.

2. *Procurement area*

- Karelia

3. *Annual procurement volume*

- 10,000 m³

4. *Main tree species used*

- Spruce (saw-timber)
- Pine (saw-timber)
- Birch (pulpwood)

5. *Moratorium*

- No commitment
- Wants further information

6. *Knowledge of wood origin*

- “Exactly”

6.20 KAINUUN MÄNTY OY

Contact person: Matti Huovinen

1. *Type of forestry operation in Russia*
 - Procures wood for further processing.
 - Suppliers perform logging and transportation.
2. *Procurement area*
 - Karelia? (Operates through suppliers only)
3. *Annual procurement volume*
 - 1,000 m³
4. *Main tree species used*
 - Spruce (saw-timber)
 - Pine (saw-timber)
5. *Moratorium*
 - No commitment (possibly willing to consider commitment)
 - Wants further information
6. *Knowledge of wood origin*
 - “Quite exactly”

6.21 FINN ARKAL OY

Contact person: Erkki Leppäkumpu

1. *Type of forestry operation in Russia*
 - Works as a subcontractor for companies in Finland, Sweden, Germany and England.
 - Supplies saw-timber wood and provides consulting services.
2. *Procurement area*
 - Leningrad
 - Karelia
3. *Annual procurement volume*
 - Not reported, currently no operations in Russia
4. *Main tree species used*
 - Spruce (saw-timber)
 - Pine (saw-timber)
5. *Moratorium*
 - No commitment (possibly willing to consider commitment)
 - Wants further information
6. *Knowledge of wood origin*
 - “Certification of the origin is always required”

6.22 VIERUMÄEN TEOLLISUUS OY

Contact person: Antti Sipilä

1. *Type of forestry operation in Russia*
 - Procures wood for further processing.
 - Suppliers transport the wood.
2. *Procurement area*
 - Karelia

3. *Annual procurement volume*
 - Not reported, only trial lots
4. *Main tree species used*
 - Spruce (saw-timber)
 - Pine (saw-timber)
5. *Moratorium*
 - No commitment
6. *Knowledge of wood origin*
 - “100%”

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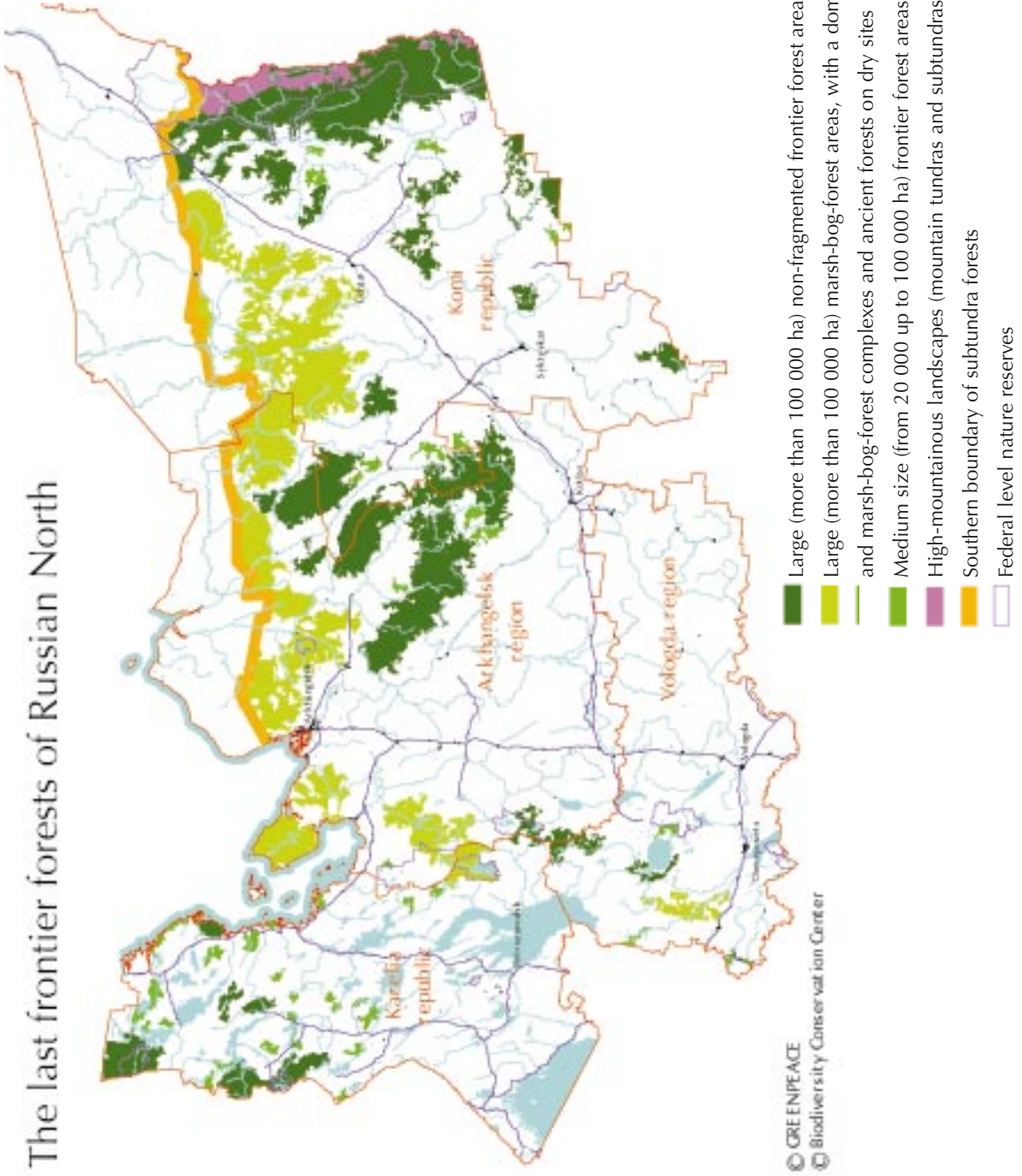
APPENDIX I: SUMMARY OF THE OPERATIONS OF THE FINNISH FORESTRY COMPANIES INCLUDED IN THE STUDY

COMPANY	Stora Enso	UPM	Thomesto	Aranna	Vapo	Sirius	Finnort.	Koskitukki
Contact person	Veli-Matti Rytkönen	Jukka Olkkonen	Mika Viitala	Kirsti Rahunen	Mauri Koskela	Pertti Purmonen	Ilkka Wennervirta	Kari Wuolijoki
TYPE OF FORESTRY OPERATION IN RUSSIA								
Procures wood for further processing	Y	Y	Y	N	Y	Y	Y	Y
Works as a subcontractor	N	N	Y	Y	Y	Y	N	N
Owens industrial plants in Russia	Y	N	Y	N	N	N	N	N
Performs logging	Y	N	N	N	N	Y	N	N
Performs transportation	Y	Y	N	N	N	Y	N	Y
Other types of operations	N	Y	N	N	Y	Y	N	N
PROCUREMENT AREAS								
Leningrad	X	X	X	X			X	X
Karelia	X	X	X	X	X	X		
Murmansk								
Number of other regions	26	19	11	> 4				7
MAIN TREE SPECIES USED								
Spruce (pulpwood)			X	X	X	X	X	X
Spruce (saw-timber)		X	X	X	X	X	X	
Pine (pulpwood)								
Pine (saw-timber)		X	X	X	X	X	X	
Birch (pulpwood)	X	X	X	X		X		
Birch (saw-timber)			X			X		X
Other		X	X					
ANNUAL PROCUREMENT VOL. (* 1,000 m³)								
	5,500	2,000	2,000	250	250	200	180	165
MORATORIUM								
Knows about it	X	X	X	X	X	X	X	X
Commitment made	X	X			X		X	X
Considering commitment						X		
Wants further information				X			X	X


COMPANY	Kokkonniemi	Kuhmo	IKEA	Vainionpää	Pölkky	J. Pennanen	Idän Poik.	Iis. Puuain
Contact person	Heikki Kokkonniemi	Lauri Nakari	Helena Levänen	Asko Vainionpää	Pekka Virranniemi	Jorma Pennanen	Vesa Turunen	Asko Karhunen
TYPE OF FORESTRY								
OPERATION IN RUSSIA								
Procures wood for further processing	Y	Y	Y	Y	Y			
Works as a subcontractor	Y	N	(Y)	N	N	Y	Y	N
Owens industrial plants in Russia	N	N	N	N	N	N	Y	Y
Performs logging	Y	N	N	Y	N	Y	N	Y
Performs transportation	Y	N	(Y)	Y	N	Y	Y	Y
Other types of operations	N	N	Y	N	Y	N	N	Y
PROCUREMENT AREAS								
Leningrad			X				X	X
Karelia	X	X		X	X	X	X	X
Murmansk					X	X		
Number of other regions			2					
MAIN TREE SPECIES USED								
Spruce (pulpwood)	X					X		X
Spruce (saw-timber)	X	X		X	X	X	X	X
Pine (pulpwood)	X					X		
Pine (saw-timber)	X	X		X	X	X		X
Birch (pulpwood)	X							X
Birch (saw-timber)								X
Other		X	X				X	
ANNUAL PROCUREMENT VOL. (* 1,000 m³)	70	70	67.5	50	50	30-40	30	20
MORATORIUM								
Knows about it	X	X	X	X	X	X	X	X
Commitment made	X	X	X	X	X	X	X	X
Considering commitment								
Wants further information		X	X	X	X	X	X	X

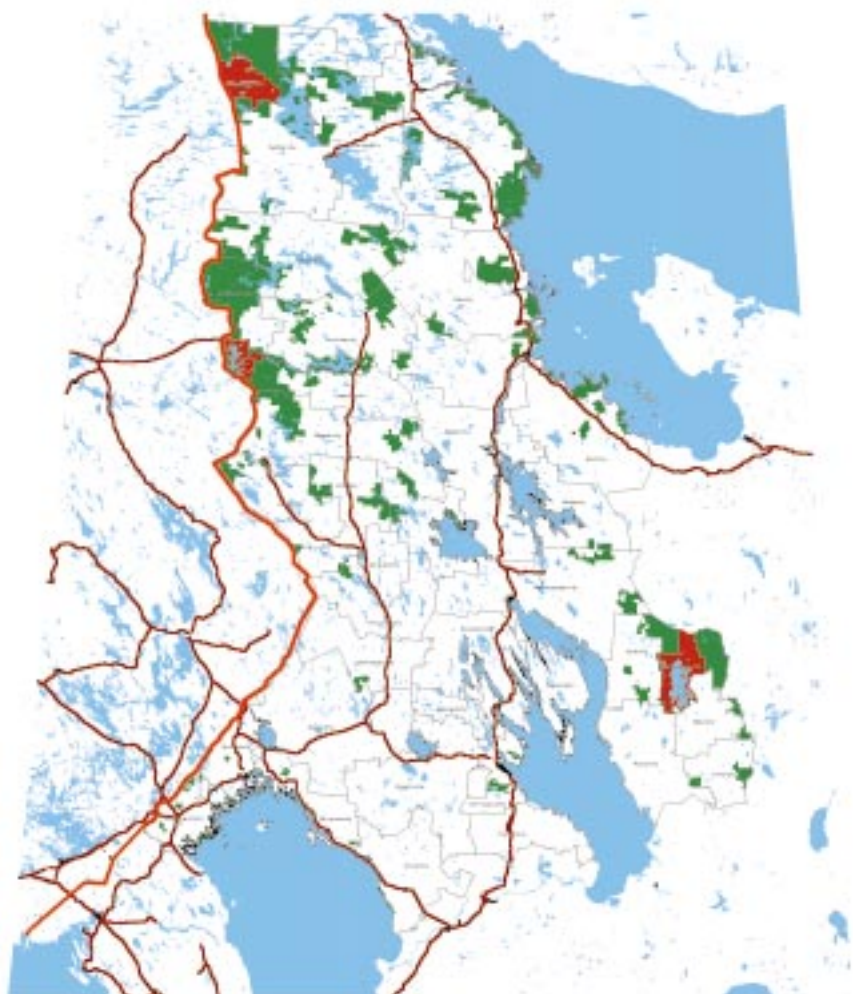
COMPANY	Interpuu	Aureskoski	Outok. Puu	Kainuun M.	Finn Arkal	Vierum. Teoll.
Contact person	Lasse Kokko	Toivo Paloneva	Aimo Laasonen	Matti Huovinen	Erkki Leppäkumpu	Antti Sipilä
TYPE OF FORESTRY OPERATION IN RUSSIA						
Procures wood for further processing	Y	Y	Y	Y	N	Y
Works as a subcontractor	N	N	Y	N	Y	N
Owens industrial plants in Russia	N	N	N	N	N	N
Performs logging	N	N	Y	N	N	N
Performs transportation	Y	N	N	N	N	N
Other types of operations	Y	Y	Y	N	Y	N
PROCUREMENT AREAS						
Leningrad	X	X			X	
Karelia	X	X	X	X	X	X
Murmansk						
Number of other regions	1					
MAIN TREE SPECIES USED						
Spruce (pulpwood)						
Spruce (saw-timber)		X	X	X	X	X
Pine (pulpwood)						
Pine (saw-timber)	X	X	X	X	X	X
Birch (pulpwood)			X			
Birch (saw-timber)	X					
Other	X					
ANNUAL PROCUREMENT VOL. (* 1,000 m³)						
	15-20	10	10	1	?	?
MORATORIUM						
Knows about it	X	X		X	X	
Commitment made				X		
Considering commitment					X	
Wants further information		X	X	X	X	

The last frontier forests of Russian North



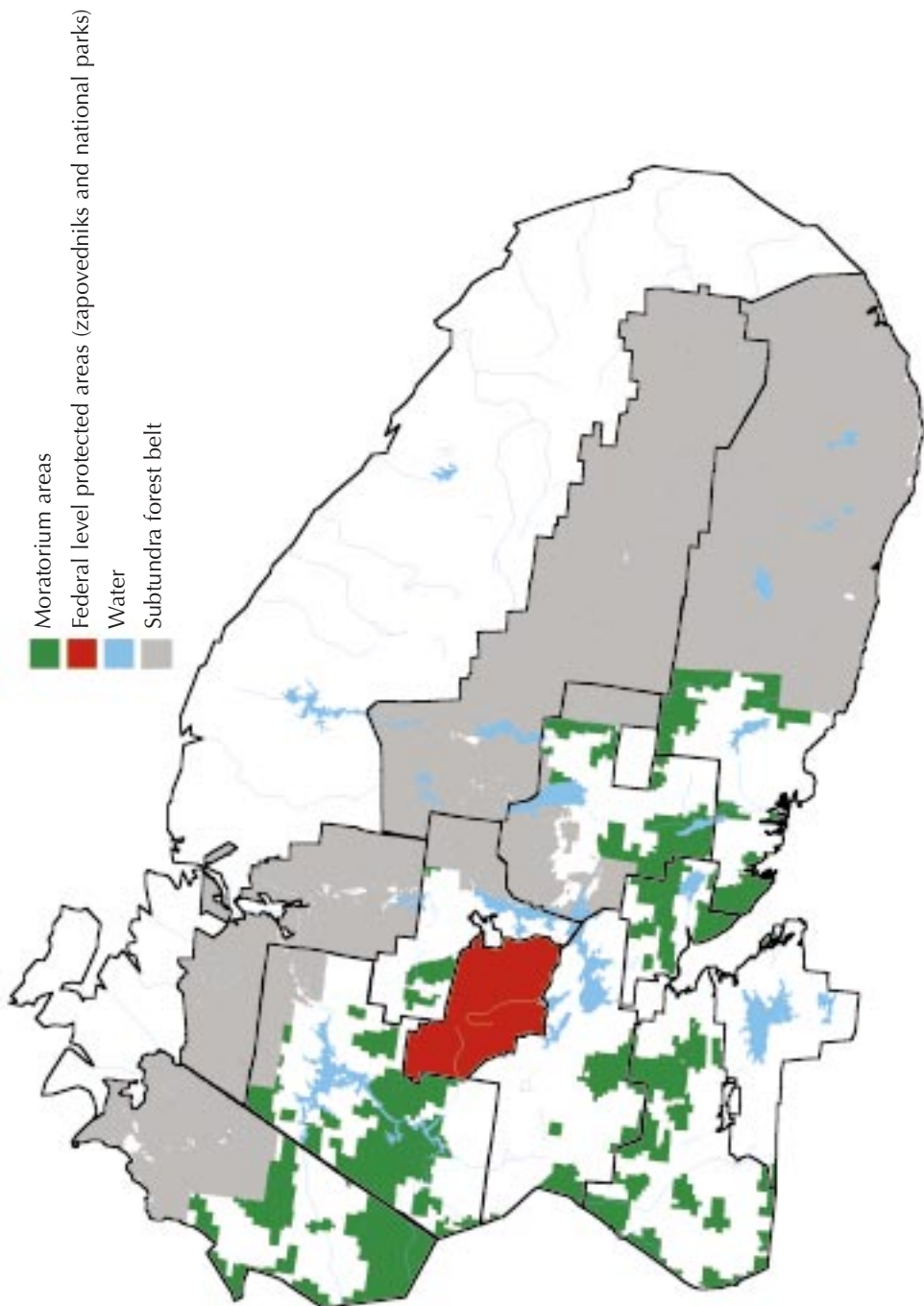
APPENDIX III: THE MORATORIUM ON LOGGING OLD-GROWTH FOREST IN THE REPUBLIC OF CARELIA.

-  Moratorium areas
-  Federal level protected areas (zapovedniks and national parks)
-  Water



By Greenpeace Russia and Biodiversity Conservation Center 1999

APPENDIX IV: THE MORATORIUM ON LOGGING OLD-GROWTH FOREST IN THE MURMANSK OBLAST.



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APPENDIX V: A PRELIMINARY MAP OF VALUABLE UNPROTECTED AREAS, AREAS WITH HIGH CONSERVATION POTENTIAL, AND EXISTING PROTECTED AREAS IN KARELIAN ISHMUS.

The map summarizes the current knowledge of St. Petersburg and Finnish researchers and non-governmental organisations, as well as ongoing Finnish–Russian nature protection co-operation at ministerial level.

Compiled in 1999 by Virpi Sahi, data from Russian and Finnish environmental organisations.

