



9 February 2007

## Russia increasing export duties for roundwood gradually

The Russian government has decided to increase the export duty levied on roundwood timber – excepting birch timber with a diameter less than 15 cm – from 4 euro to at least 10 euro per cubic metre. Export duty on aspen, which is now free from duty, will be 5 euro per cubic meter. These changes will take effect on 1 July 2007. From the beginning of April 2008, the export duty on roundwood timber will increase to 15 euro per cubic metre; a further increase to at least 50 euro per cubic meter is scheduled for the beginning of 2009. In case the increased export duties are put into action despite of Russia's WTO membership negotiations, roundwood imports from Russia will eventually become unprofitable.

It is necessary to activate immediate measures to increase the production and the amount of domestic wood on the market which was also outlined in the Finnish Ministry of Agriculture and Forestry's review of the forest sector's future in November 2006. The announced gradual increases on Russian export duties leave our industry a limited time period to adjust, even though measures aimed at ensuring the raw material supply have been launched.

Each year, about 10-15 million cubic meters of sustainable felling opportunities remain unutilised. The forest industry in Finland processes almost 60 million cubic meters of timber annually. The total annual growth of Finnish forests is almost 100 million cubic meters. To supplement domestic timber supplies, the forest industry in Finland will increase its roundwood imports from other countries.

### Export duties not in harmony with Russia's WTO intentions

Russia aims to support its wood processing industry and spur domestic investments in the sector by increasing the roundwood export duties. These duties are not in harmony with Russia's aim to join the WTO, however.

Russia's income from roundwood exports to Finland has amounted to about EUR 500 million. Over half of the wood felled in Russia is pulpwood, which cannot be processed by its domestic industry. Exporting timber has created 2,500-4,000 jobs in Russian forestry, in addition to which it has provided employment for especially the transport sector. Most of the exports have been coming from Karelia, Vologda and Novgorod areas.

Russia increased the duties on softwood exports in June 2006. At that time, it also required that exports be sorted according to the diameter of timber. Different customs and excise offices have utilised differing interpretations of this sorting requirement.



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**Availability of Finnish timber must be improved**

The Finnish Ministry of Agriculture and Forestry's review of the forest sector's future, finished in November 2006, set the target to increase the current forest growth and to ensure the quality, health and diversity of our forest resources. The current situation emphasizes these measures and the authorities need to initiate immediate actions to improve the market entry of Finnish roundwood and to increase the production of wood. Forestry needs to be supported with tax solutions. The financing available for sustainable forestry (KEMERA financing) should be raised to the level suggested in the Finnish Ministry of Agriculture and Forestry's review of the forest sector's future - EUR 85 million annually.

The market entry of timber should be promoted through speeding up generational transition and increasing the size of the average forest holding which is now about 37 hectares. The profitability of forestry is in need of a boost that would make it a more attractive occupation. In addition, forest owners need to be encouraged to sustainable forest management as well as to increase investments in long-term forestry measures that will benefit later generations. Combining the interests of several stakeholders using the Finnish multipurpose forests is a further challenge.

**The sector employs a total of about 200,000 in Finland**

The pulp, paper and wood processing industries employ about 63,000 people directly in Finland. In addition, the sector provides some 20,000 jobs in forestry. Other significant sources of employment that are associated with forest-based industries include the packaging and graphic industries as well as maintenance companies, machinery and equipment manufacturers, the energy sector, the chemical industry and research institutions. In all, the forest-based sector and its indirect effects create some 200,000 jobs in Finland.

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The Finnish Forest Industries Federation represents companies in the forest-based and related industries in Finland. Its task is to promote the competitiveness and profitability of the paper and wood products industries by strengthening their operating conditions and positive image in Finland and abroad. The organization's membership covers the entire pulp, paper and paperboard industries and about 80% of the wood products industry in Finland.



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The sustainable use of renewable natural resources supports growth, employment, welfare and sustainable development in Europe. The forest-based sector is a significant European branch with a key role in promoting sustainable development.

Paper and Wood