

MINISTERIAL CONFERENCE ON THE  
PROTECTION OF FORESTS IN EUROPE



# **COMBATING ILLEGAL HARVESTING AND RELATED TRADE OF FOREST PRODUCTS IN EUROPE**

Report for the MCPFE Workshop  
held in Madrid, Spain  
3-4 November, 2005

WARSZAWA, 2007

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Chapter 1-4 of this publication are based on the report "Study on the issues of illegal logging and related trade of timber and other forest products issues in Europe", elaborated jointly for the MCPFE Liaison Unit Warsaw by Andreas Offitsch, Krzysztof Kaczmarek, Lauma Kazusa (the European Forest Institute) and Karsten Raae (Danish Forest Extension).

Chapter 5 consists of the Summary Note of the MCPFE workshop on combating illegal harvesting of forest products and related trade in Europe, held on 3-4 November, 2005, Madrid, Spain



**Combating illegal harvesting and related trade of forest products in Europe  
Report for the MCPFE Workshop, held in Madrid, Spain on 3-4 November, 2005**

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## PREFACE

The issue of illegal logging and related trade has been already seriously tackled by several European countries through implementing innovative and effective tools to overcome this problem. According to the national experiences the policy tools, such as public procurement policies and development of public-private partnership play a significant role in excluding illegal timber products from supply chain.

The Ministerial Conference on the Protection of Forests in Europe identifies illegal harvesting as an important issue and seeks measures to overcome this problem. In Vienna (2003), at the 4<sup>th</sup> Ministerial Conference, the signatory states and the European Community committed themselves to take effective measures to promote good governance and forest law enforcement, and to combat illegal harvesting of forest products and related trade (Vienna Declaration).

This publication overviews ongoing relevant initiatives on combating illegal logging and provides information on social, economic and environmental consequences of illegal harvesting activities. The report supported discussions at the MCPFE “Workshop on combating illegal harvesting of forest products and related trade in Europe”, that was held in Madrid, Spain, on 3-4 November, 2005. The issues of developing options for prohibiting or criminalizing the importation and trade of illegally harvested timber as well as preventing corruption and money laundering were particularly stressed at the Workshop and the conclusions were drawn upon. The need to review the effectiveness of existing policies and instruments with respect to combating illegal logging; to integrate measures against illegal logging into rural development mechanisms; to support alternative economic opportunities for forest depended people in order to reduce illegal forest activities related to poverty was also emphasized in the Workshop conclusions that are summarized in the last chapter of the report.

Special thanks go to the authors, and workshop participants for their valuable contribution to comprehensive picture on the problem of illegal logging in Europe. Special gratitude goes to Spain – the host of the MCPFE Workshop.

**Piotr Borkowski**

Head of the MCPFE Liaison Unit Warsaw

# INTRODUCTORY REMARKS

The Ministerial Conference on the Protection of Forests in Europe (MCPFE) identifies illegal logging as an important issue. The subject is tackled in Vienna Living Forest Summit Declaration, Para 20 and in Vienna Resolution 4, Para 7, where countries committed themselves to: *“provide and analyze information about the impact and underlying causes of illegal harvesting of forest products and related trade on forest biological diversity; take effective measures to combat illegal harvesting of forest products and related trade, and build capacity to ensure effective forest law enforcement”*.

With regard to the issues of combating illegal logging the MCPFE Liaison Unit Warsaw put forward an analysis aiming at reviewing relevant scientific information and studies within the scope of several initiatives and events (both undergoing and planned in Europe).

This Study on the issues of illegal logging focuses inter alia on creating overview of:

- The regional political processes which consider the issue of illegal logging;
- The information, results of research projects, reports, regulations, etc. available in Europe on the issues of illegal logging;
- The different definitions of illegal logging;
- The available estimates on the extend of illegal logging and trade in illegally logged material; and
- The present available estimates of the economic, ecologic and social consequences of illegal logging.

Conclusions of this study are presented together with recommendations to the MCPFE forum what issues under the illegal logging theme have to be addressed.

*“Perhaps the greatest success of G8 in this respect is putting the issue of illegal logging on the international agenda”* (Action Programme on Forest, Backgrounders 2002). This has certainly happen. Illegal logging has become a direct concern of more and more governments and international bodies worldwide, and the debate on the issue is vivid.

As one example for the current international discussion, in context with illegal logging, the Ministerial Declaration from the Forest Law Enforcement and Governance East Asia Ministerial Conference in Bali, Indonesia, is cited here, which states:

- *“Understanding that forest ecosystems support human, animal and plant life, and provide humanity with a rich endowment of natural, renewable resources;*
- *Deeply concerned with the serious global threat posed to this endowment by negative effects on the rule of law by violations of forest law and forest crime, in particular logging and associated illegal trade.”*

In the recent years, the international society has realised that something has to be done and a number of initiatives have been taken and their implementation is about completion. The whole process of attempts to prevent illegal logging suffers amongst others from the following challenges:

- There is no one individual internationally recognised definition of illegal logging;
- As the figures presented in this study will show, even official statistics on illegal logging indicate that the extent of the problem in question seems to be growing, in spite of ongoing efforts to cope with this problem;

- As the section on “definitions” in this study shows, illegal logging can be considered a process consisting of the following steps: “Illegal activities pre-logging (getting “permits”), illegal logging, illegal transportation, illegal processing”. Discussions have just started on where in this chain any country by legal actions could establish the best countermeasures;
- There is a considerable difference in the nature of illegal logging, as it is reported by various countries, and also within the countries, ranging from subsistence based activities to operations on industrial scale. Addressing them all with the same set of laws does not work. So far, no clear statement has been put forward in attempt to draw a border line between illegal logging activities that should be subject to law enforcement, and those which have to be tackled through adaptation of legislation tailored to the current needs of the local populations.

It is also noteworthy that the issue of illegal logging should not be mixed up with any discussions regarding sustainable forest management. While most definitions of “sustainable forest management” stipulate adherence to relevant local, regional national and – if applicable – international legislation, not all existing legislative requirements may have fully realised all aspects included in definitions of sustainable forest management (e.g. Rio Forest Principles, MCPFE Resolution L2). Thus, the current focus on illegal logging should not draw attention away from the wider objective which is to obtain sustainable forest management.



# 1. Definitions of illegal logging

One of the main difficulties involving discussion on illegal logging is related to the fact that no common definition exists of what exactly this term shall mean, even if only English language sources are taken into consideration.

Why most available definitions, which will be presented in more detail in this section, describe illegal logging as the process of extracting forest resources in disregard of the relevant national legislation, they differ as regards the fields of legislation, which are to be considered? Thus, why there is agreement that logging without or in violation of logging licenses or permits would qualify the timber obtained in this way as illegal? There is considerable discussion as to whether and to which extent the violations against taxation regulations (e.g. property-, income-, value-added taxes) should be taken into consideration as well, and if so, how such requirements could be implemented?

In addition overlapping jurisdictions, resulting for example from decentralization of forest sector legislation, may obscure the definition of illegality (Brack et al. 2002). In the following subsection, a number of definitions of illegal logging are presented, and the major deviations of this term are pointed out.

## 1.1. Currently used definitions of illegal logging

Various stakeholders use various definitions of illegal logging. Environmental NGOs tend to use a broader definition covering the relevant acts of illegal logging, likewise the representatives of industry and governments used to do. However, all actors agree that illegal logging is a punishable act.

A list of examples of numerous definitions of illegal logging is presented below. Some vary quite considerably, but the most vary only in detail.

Even at the level of FAO there is no single definition, but a number of FAO documents has undertaken compilations of definitions on the issue in question. A very comprehensive list is presented in (Rosenbaum 2003), which also includes some of the definitions presented below more in detail. It also starts out with broadly-ranging definition of “illegal logging taking place when timber is harvested, transported or sold in violation of national laws” (Brack & Hayman 2001).

A rather extensive definition of individual acts considered illegal logging is presented by the WWF/World Bank Alliance (WWF/World Bank Alliance 2003):

- Illegal logging is logging:
  - outside a concession area;
  - in excess of quota;
  - in a protected area;
  - without appropriate permits;
  - without complying with bidding regulations;
  - without submission of required management plans;
  - in prohibited areas such as steep slopes, river banks, and water catchments;
  - protected species (as defined by CITES or other international law);
  - with duplicate felling licenses;
  - using girdling or ring-barking to kill trees so they can be logged legally;
  - that contracts with local entrepreneurs to buy logs from protected areas;
  - removing of under/over sized trees from public forests;

- reporting high volumes extracted from forest concessions to mask that part of the volume is from non-authorized areas outside of the concession boundaries;
- using bribes to obtain logging concessions;
- using deceptive transfer pricing and other illegal accounting practices to distort prices, volumes, cash flows and debt service levels (for example some companies will inflate the price of imported inputs such as machinery and deflate prices and volumes of their exports to reduce nominal profits, their tax liability with the host country and to illegally transfer funds abroad);
- that engages in the illegal transport and trade of timber or the smuggling of timber; that is processed with out the required licenses and that is not in compliance with environmental, social and labour laws.

Also in FAO (2001) an attempt to identify in detail the various possible types of illegal activities considered “illegal logging” was made, stating that:

- There are many types of illegal forest practices. Public servants may approve illegal contracts with private enterprises. Private commercial corporations may harvest trees of species that are protected by law from timber exploitation. Individuals and communities may enter public forests and illegally take products that are public property. Illegal activities do not stop at the forest. They travel down the line to operations in transportation, processing and trade of forest products. Individuals or corporations may smuggle forest products across international borders or process forest raw materials without a license. Corporations with strong international links may artificially inflate the price of imported inputs or deflate the volume and prices of their exports to reduce their tax liability and to facilitate the illegal transfer of capital abroad (FAO 2001).

It is noteworthy that the two above definitions include both fraudulent corporate activities aimed at price-distortions into the set of practices associated with illegal logging.

Further attempts have been made by other authors:

- Illegal logging activities include the harvest, transportation, purchase or sale of timber in violation of national laws. The harvesting procedure itself may be illegal, including using corrupt means to gain access to forests; extraction without permission or from a protected area; the cutting of protected species; or the extraction of timber in excess of agreed limits (Marijnissen et al 2004);
- Illegal logging takes places when timber is harvested, transported, bought or sold in violation of national laws. The harvesting procedure itself may be illegal, including using corrupt means to gain access to forests, extraction without permission or from a protected area, the cutting of protected species or the extraction of timber in excess of agreed limits. Illegalities may also occur during transport, such as illegal processing and export, mis-declaration to customs, or the avoidance of taxes and other charges (Brack et al. 2002);
- The term Illegal logging is used to refer to timber harvesting-related activities that are inconsistent with national (or sub-national) laws. Illegal and corrupt activities in the forest sector can span the entire industry from wood harvesting and transport, to industrial processing and trade. Illegal cutting includes logging inside protected areas or outside concession areas. Logging within allocated concessions can be illegal if it does not conform to the law. For example, cutting restricted species, or over the allowable limit, or before the concession or license is active, constitutes an illegal act. Other types of illegal activities include under-reporting the amount cut, false reporting of the species harvested to avoid higher taxes, the illegal transport of timber, and the poaching of wildlife in areas opened up by timber-cutting. Corruption can occur at many levels, from the issuance of licensees and concessions to local law enforcement (Smith 2002);

- Illegal logging takes place when timber is harvested, transported, bought or sold in violation of national laws. Types of illegal activity include illegally obtaining concessions (e.g. via corruption), cutting trees without permission, taking out more trees, undersized trees, oversized trees than is permitted, illegal processing or an under-declaration to customs of the amount being exported (FERN 2001);
- The Japan Federation of Wood-Industry Associations (JFW) defines illegal logging as the logging of forests and transport of wood in contravention of the laws and regulations of the country concerned (Kuga 2002).

These definitions are broad and include almost any illegal act that may occur between the actual growing of trees to the arrival of the product in hands of its consumer.

Other authors see illegal logging as a part of a broader term, “illegal practices” or “illegal activities” in the forestry sector (Contreras-Hermosilla 1997; Callister 1999; Contreras-Hermosilla 2002b; Guertin 2003):

- Logging protected species;
- Duplication of felling licenses;
- Girdling or ring-barking, to kill trees so that they can be legally logged;
- Contracting with local entrepreneurs to buy logs from protected areas;
- Logging in protected areas;
- Logging outside concession boundaries;
- Logging in prohibited areas such as steep slopes, riverbanks and water catchments;
- Removing under/oversized trees from public forests;
- Extracting more timber than authorized;
- Reporting high volumes extracted in forest concessions to mask the fact that part of the volume declared is extracted from non-authorized areas outside the concession boundaries;
- Logging without authorization;
- Obtaining logging concessions through bribes;
- Buying logs from local entrepreneurs that have been harvested outside the concession;
- Contract with local forest owners to harvest in their land but then cutting trees from neighboring public lands instead; and
- Logging when in breach of contractual obligations (e.g. pre-logging environmental impact statement).

Eskelinen & McCarthy (2004) have studied the types of illegal logging in 6 geographic regions. In each of these regions illegal logging is defined differently. The main types of illegal logging and associated problems in each region are described below:

Russian Far East and Siberia	South East Asia	Central Africa	Baltic States	South America	North America
- Corruption <sup>*)</sup> - Indigenous rights violations - Human rights violations	- Corruption <sup>*)</sup> - Logging in protected areas - Bribery - Indigenous rights violations - Human rights violations - Non-forest resource conflicts - Military abuse	- Corruption <sup>*)</sup> - Indigenous rights violations - Human rights violations	- Corruption <sup>*)</sup> - Indigenous rights violations - Human rights violations	- Corruption <sup>*)</sup> - Indigenous rights violations - Human rights violations	- Indigenous rights violations and treaty violations - Harvesting violation - Protected areas violation - Environmental damage and pollution

<sup>\*)</sup> Corruption includes forgery, taking and providing bribes, and organized crime. (Eskelinen & McCarthy 2004)

A somewhat closer definition of illegal logging was suggested by FAO and UNECE for the preparation of country reports presented recently at the Joint UNECE/FAO Workshop on illegal logging and trade of illegally-derived forest products in the UNECE Region (16–17 September, 2004). Focussing mainly on harvesting operations, this definition states that: “Illegal logging refers to timber harvesting activities that fail to respect national and sub-national laws and norms that regulate such harvesting operations” (UNECE/FAO Timber Branch Nr. 4 2004).

Table 1 Compares the activity types included in various illegal logging definitions which were given before.

Table 1. A comparison of definitions of illegal logging, indicating the various focus points of organisations.

Reference to author and institution	Definitions from environmental NGO-publications						UN-system	
	WWF/ World Bank Alliance, 2003	Marijnissen et al, 2004 (Greenpeace, FERN, WWF)	Brack et al, 2002, FERN	FERN 2001	Smith, 2002 (ITTO)	Kuga, 2002	FAO, 2001	UNECE/ FAO, 2004
Violations of harvesting regulations	x	x	x	x	x	x	x	x
Illegal transport and/or smuggling	x	x	x	x	x	x	x	
Illegal trade (buying, selling, import, export)	x	x	x	x	x		x	
Illegal processing			x	x	x		x	
Corruption and/or bribery to obtain access to the forest	x	x	x	x	x			
Mis-declaration of exports/imports			x	x				
Avoidance of tax payments			x		x			
Logging without permission	x	x	x	x				
Logging in excess of quota	x	x	x	x	x			
Removing under/oversized trees	x			x				
Logging in protected and/or prohibited areas	x	x	x		x			
Logging outside concession	x				x			
Logging protected species	x	x	x		x		x	
False reporting of amount and species cut	x				x			
Price distortion in forest product markets	x						x	
Poaching in the area					x			
Forest product theft							x	

All of the definitions compared in Table 1 agree on violations against harvesting regulations to be defined as “illegal logging”. Especially the definitions by NGOs define more explicit descriptions of possible trespasses (e.g. exceeding of quota, logging outside concession areas), including legislation aimed at safeguarding conservation interests (e.g. protected species, under- oversized trees), but it may be claimed that these are just subsets of the more general formulation in the first row of the table. With the exception of the definition used at the UNECE/FAO workshop in Geneva, which focussed explicitly on illegal harvesting, there is an agreement among all definitions that illegal trade is also to be included in a definition of “illegal logging”.

All of the definitions used by NGOs include bribery and corruption practices used to obtain logging licenses as qualifying for “illegal logging”.

The inclusion of trespasses against taxation regulations under the definition of “illegal logging” is favoured also by NGOs. Lost tax revenues are also one of the major positions used in calculation of economic damage resultant from illegal logging.

The inclusion of “market distortion activities” under the heading of “illegal logging” is remarkable, because “market distortion” is usually associated either with official activities by public authorities such as (hidden) subsidies to landowners (e.g. tax benefits, financial incentives), concession holders (e.g. low stumpage fees) or the processing sector (e.g. guarantees of quantities and prices to large scale clients in the context of the establishment of new processing plants) or with cartel-agreements by a small number of market-dominating companies.

## 1.2. Another approach – definition of criteria and indicators for legal logging

One of the problems in identifying illegal logging lies in deciding, which laws to consider and where in the production and processing chain the potential illegal activities should be considered. Another approach to define “illegal logging” may thus consist in attempting to define “legal logging” instead. Table 2 below provides one such attempt by WWF (WWF 2004d).

Table 2. Example for a definition of “legal logging” (WWF 2004d).

### Legal Source

#### ■ Tenure:

- The logging contractor/operator is authorised to be there by the proprietor (lease, concession agreements etc. are in place)
- Property and/or customary rights are respected
- There is no dispute on property/customary rights

#### ■ All Government required approvals are in place:

- Harvesting permits/cutting licenses
- Annual allowable cut permits

#### ■ Operations meet the requirements and stipulations of the permits

#### ■ All national and local legislative and administrative processes for tendering, concession and lease processing have been followed.

#### ■ There are no credible allegations of corruption in the tendering/concession/lease process

### Revenue Payments

- Stumpage fees and other required revenue payments are paid
- Timber extracted corresponds to volumes authorized in the license/contract (e.g. no duplicate felling licenses)
- There is accurate measurement, reporting and declaration of values and volumes extracted/transported

#### Forest Operations

- There is no commercial logging in Protected Areas (IUCN I-IV)
- There is no logging:
  - In prohibited zones (e.g. steep slopes, riverbanks and water catchments)
  - Of protected species
  - Outside concession boundaries
  - Of undersized trees
- There is no girdling or ring-barking, to kill trees so that they can be legally logged

#### Related Forest Crime

- Area logged is secure from other forms of forest damage such as poaching or illegal mining
- There is no credible suspicion of transfer pricing irregularities such as:
  - Inaccurate declaration of purchase prices for inputs such as equipment or services from related companies
  - Manipulation of debt cash flows to transfer money to subsidiary or parent company, for example by inflating debt repayment to avoid taxes on profits

#### Log Transportation

- All timber transported has official documentation
- Illegally harvested timber has official authorization for its transportation

(WWF 2004c)

### 1.3. The considerations to be taken when defining the illegal logging

First of all, it has to be decided which issues need to be addressed, and only after this an appropriate definition can be made and wording chosen.

When combating illegal logging it is important to address the underlying causes of illegal logging phenomena. Furthermore, it is important to make an internationally accepted definition either of what is the legal or what are the illegal logging activities.

In general, the governmental bodies “prefer” shorter and closer definitions of illegal logging, which mainly include illegal harvesting (i.e. harvesting without proper licences). On the other hand, the NGOs and media would prefer broader definitions, which include almost every single illegal act related to forests. Kakizawa (2001) in his study mentioned a case where a logging concession was obtained through legal procedures, but where a claim was made that the rights of indigenous people in the area were neglected. NGOs argue that such cases should be also considered the illegal logging activities.

Certain Parties<sup>1</sup> have pointed out the importance of establishing individual working definitions for all producer countries. In order to develop workable definitions, these must be in-country developed and consulted with the relevant stakeholders. The ongoing trend towards decentralisation of forestry issues in many countries, however, may not make this task easier.

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<sup>1</sup> RIIA Workshop of the UK Government Forest Law Enforcement and Governance Programme Assessment, December 1, 2003.

## 2. Overview on ongoing processes<sup>2</sup>

This chapter presents a brief overview on political processes, which consider the issue of illegal logging. Special attention is paid to: Proposal for an EU Action Plan for Forest Law Enforcement, Governance and Trade, G8 Action Programme on Forest, Forest Law Enforcement and Governance East Asia Ministerial Conference, and Africa Forest Law Enforcement and Governance Ministerial Conference. Main findings concerning political commitments, legal instruments put in place, and progress in general is presented.

### 2.1. Introduction on international initiatives to combat illegal logging

A number of NGO's and the international community consider illegal logging an issue of rising importance. Studies made by WWF and Greenpeace claim that 50–80% of the timber put on the market from Amazonian, Central Africa and South East Asia is of illegal origin (Toyne et al. 2002; Greenpeace 2003). Estimates from Russia claim that illegal logging accounts for at least 20% in total and about 50% in its Far Eastern regions (WWF 2004c).

One of the first steps was done in 1997, when the G8 members at their Summit in Denver, USA, agreed to launch an action programme on forests. The action programme was started in 1998 (decision at G8 Summit in Birmingham, UK), but only took momentum in 2000. The final report on the action in 2002 included a special section on illegal logging.

In 1999, the World Bank organised the first major international workshop specifically on Forest Law Enforcement in Cambodia, bringing together the Mekong Basin Countries (Brack & Hayman 2001).

In September 2001, a FLEG Ministerial Conference, organised by the World Bank, took place in Bali, Indonesia. That resulted in the Ministerial Declaration signed by the Ministers of participating countries that is known as the Bali Declaration. (ibidem)

In 2002, FLEG conferences were held in Europe and Africa (AFLEG 2003); in addition the issue was negotiated at the WSSD in Johannesburg, and the relevant Memorandum of Understanding (MoU) was elaborated.

Also in 2002, several bilateral agreements MoUs were signed between Indonesia and some of its most important trade partners (Japan, China, United Kingdom) (Speechly 2003). Yet in the same year, the initiative for an EU FLEGT (Forest Law Enforcement, Governance and Trade) Action Plan was begun.

In 2003 the EU Commission adopted the EU FLEGT Action Plan, and a proposal for Council Regulation for its implementation was published soon, in July 2004 (European Commission 2004). Also in 2003, in the United States, President's Bush's initiative against Illegal Logging was launched and a FLEG Ministerial Conference was held in Africa.

The issue in question was then discussed further at the Regional European level during Nordic and Baltic 21 Forest Sector Meeting in 2003. In 2004, the Government of Russia published its intention to launch, jointly with the World Bank, the Regional Ministerial Conference on this issue in 2005.

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<sup>2</sup>Status as of October 2005.

## 2.2. European initiatives

### 2.2.1. Ministerial Conference on the Protection of Forests in Europe (MCPFE)

At the level of the MCPFE, the issue of illegal logging and the measures to combat the problem were discussed also at the recent Ministerial Conference (Vienna, 2003).

In the Vienna Resolution 2 – *Enhancing Economic Viability of Sustainable Forest Management in Europe* – the Signatory States and the European Community committed themselves to adjust their policies, legal frameworks and instruments to support sound enabling conditions for sustainable forest management that encourage investment and economic activity in the forest sector, including effective measures for forest law enforcement, and combating illegal harvesting of forest products and related trade.

Vienna Resolution 4 – *Conserving and Enhancing Forest Biological Diversity in Europe* – makes the countries committed to provide and analyse information about the impact and underlying causes of illegal harvesting of forest products and related trade on forest biological diversity; take effective measures to combat illegal harvesting of forest products and related trade, and build capacity to ensure effective forest law enforcement.

In context of the Vienna Resolutions, illegal logging is therefore considered to represent a problem and challenge both the economic and ecological dimensions of sustainable forest management in Europe.

### 2.2.2. UNECE-FAO

The UNECE/FAO Team of Specialists on Forest Products Markets and Marketing presented a discussion paper on the subject of illegal logging at the annual Timber Committee Market Discussions in October 2003. In its market statement the Committee stated:

*“Forest law enforcement, governance and trade (FLEGT) is at present the main issue in the forest sector and the Committee’s annual Market Discussions provided a forum for a multi-stakeholder discussion. Illegal logging denies revenues to governments, industries and forest owners, puts downward pressure on forest product prices, negatively affects workers and compromises sustainable forest management. The Committee wants to work together with other organizations to determine the extent and causes of illegal logging and trade.”*

A Workshop on Illegal Logging and Trade of Illegally Derived Forest Products in the UNECE Region was held in Geneva, Switzerland, on September 16–17, 2004. During that meeting, the participatory countries presented their country reports highlighting the extent of this problem.

The countries acknowledged that there is some illegal logging among them, but the prevalence and significance of the problem varies broadly in scope. It was recognised that the relevant estimates are very approximate, and that there is a need to improve the quality of information. The types and causes of illegal logging in the Region were discussed. The workshop identified a number of possible actions, which may be considered necessary to combat illegal logging.

### 2.2.3. Nordic and Baltic Region Forest Sector Meeting

A Forest Sector Meeting including the Nordic Council of Ministers’ Adjacent Areas Programme and the Baltic 21 Process was held in October 2003, in Sigulda, Latvia. During that meeting the features of illegal logging and related trade in the Baltic Sea Region and FLEGT process in the EU were discussed, as well.



It was agreed that the further co-operation between the countries and research organisations is required, and that there is a need for a Voluntary Partnership Agreement between the EU and Russia.

#### 2.2.4. North-Eurasia FLEG-initiative by the Russian Federation<sup>3</sup>

The Russian Federation, in co-operation with the World Bank, is currently in the process of initiating a North-Eurasia FLEGT-initiative. A scoping meeting for this was held on 18 May 2004, in Moscow. The aim of this initiative is to organize a regional Ministerial Conference in 2005. Following the examples set by the Asian and African processes, this is expected to result in an action plan, outlining the measures necessary to implement on the ground.

This initiative is intended to include the relevant producer and consumer countries in the Region as well as the countries relevant for trans-shipments. This seems to be of specific importance, as geographic as well as economic conditions in this region would make it difficult to implement any strict bilateral agreement between producer and consumer countries.

#### 2.2.5. EU action

The FLEGT-proposal for an EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT 2003) was ultimately inspired by the results from the WSSD 2002, held in Johannesburg. It is based on the principles laid down in the Ministerial Declaration (East Asia FLEG 2001), namely to intensify the national, regional and international efforts to cooperate in order to address and fight violations of forest laws, illegal logging and corruption in particular.

The FLEGT-proposal is followed by the Council Conclusions (2003) that urges the Community and the Member States<sup>4</sup> to enter into political dialogue with the key target countries instigating them to address illegal logging via forest sector governance reforms and to provide the Commission with relevant information regarding national legislation addressing illegal logging.

The European Committee on Industry, External Trade, Research and Energy (Motion for resolution 7014/04) concludes after examining the proposal that:

- There is an urgent need to combat trade in illegally sourced timber and forest products; and
- Binding legislation is required to tackle this trade enabling EU countries to e.g. prosecute companies and individuals involved in marketing and import of illegally harvested timber and forest products.

Hence, the Committee on Industry, External Trade, Research and Energy requests the commission specific to draft legislation to prohibit marketing of all illegal sourced timber and forest products.

Until now, no EU legislation regarding the subject has been finalised. A proposal for a Council Regulation (2004) concerning establishment of a voluntary FLEGT licensing scheme for imports of timber into the European Community was presented by the Commission. A press release states that:

*“The European Commission today adopted a comprehensive set of measures to combat the growing problem of illegal logging and the related trade in illegally harvested timber that robs governments in affected develop-*

<sup>3</sup>The Ministerial Conference on Forest Law Enforcement and Governance took place on 22-25 November 2005, bringing together nearly 300 participants from 48 countries representing governments, private sector, civil society and international organizations, including the World Bank. The Conference yielded the St. Petersburg Declaration, an expression of commitment by 44 governments from the Europe and North Asia Region and other participating countries to take action to address illegal logging and associated forest crimes. The participating governments also identified an Indicative List of Actions for the implementation of the Declaration, that are included as an Annex to the Declaration. For further information, please see: <http://www.worldbank.org/>

<sup>4</sup>The EU member states are: Austria, Belgium, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Netherlands, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, and the United Kingdom (status in 2005).

ing countries of an estimated €10-15 billion every year in lost revenue. The main elements of the package are: (i) voluntary partnerships with wood-producing countries badly affected by illegal logging to support and promote governance reform in their timber sectors; (ii) a regulation that sets up a legally binding licensing scheme with partner countries to ensure that only legal timber from these countries is allowed into the EU.” (European Commission 2004).

One of the measures being discussed in the context of planned voluntary partnership agreements is the introduction of a licensing scheme for legal timber, originating from the partner country. Such licenses should accompany all timber shipments from that country to the European Union and should allow for tracing of the legal origin of the material. Key issues involved in the implementation of such licenses are the reliability of the scheme, which is intended to be achieved by including elements of third party verification (either public or private institutions) and – preferably electronic – tracking systems of licenses, which would make such a system less susceptible to fraud and document falsification (Brack 2004).

Illegal logging is seen as a considerable problem in some of the recently accessed EU Member States. The Commission did not intend to take specific measures on illegal logging before the accession countries join the EU, but rather plans to develop a strategy based on their future participation within the EU Single Market.

## 2.3. Initiatives at the global level

### 2.3.1. G8 Action Programme on Forest

While illegal logging is not a predominant concern in G8 countries themselves, the G8 members do have a responsibility to work with developing nations to suppress such practices. At their 1997 Summit in Denver, USA, the G8 members agreed to launch an action programme on forests. The G8 Action Programme on Forests was initiated in 1998 at the G8 Summit in Birmingham, UK. The Action Programme consisted of five issues of particular importance:

- Monitoring and assessment;
- National forest programmes;
- Protected areas;
- Private sector; and
- Illegal logging.

The action programme seeks to complement the actions undertaken at regional and international levels, and states the G8’s commitment to identifying actions in both producer and consumer countries.

According to G8 Action Programme on Forests - Final Report (2002) and G8 Action Programme on Forest Backgrounder (2002) documents - the G8 members<sup>5</sup> have committed themselves to combat illegal logging and use of illegally harvested timber and related products, inter alia, by means of:

- *Implementing measures to eliminate import and export hereof;*
- *Increased capacity building and technology transfer; and*
- *Support processes on forest law enforcement and governance.*

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<sup>5</sup> G8 includes Canada, France, Germany, Italy, Japan, Russian Federation, the United States and the United Kingdom.

### 2.3.2. World Bank's Forest Governance Programme

The World Bank's Forest Governance Programme is designed to promote a change in current practices in production forestry - to contain the negative social, ecological and economic impacts of poor governance and illegal forestry activities, and improve the process by which concessions are allocated and managed.

The three main components of World Bank's Forest Governance Programme are:

- Research on Best Practice, Lessons Learned and Country-Level Diagnostic Work;
- Ministerial Processes for Forest Law Enforcement and Governance (FLEG);
- Partnerships.

The World Bank's Forest Governance Program and the G8 program motivated a partnership on forest law enforcement for East Asia between the governments of the East Asian States, the World Bank, the United Kingdom and the United States, that led to the FLEG East Asia Ministerial Conference in September 2001, and to several bilateral Memoranda of Understanding on the FLEG issues.

More recently, the Ministers of several African countries expressed their interest in focusing specifically on forest law enforcement and governance, and requested assistance from the World Bank (with sponsorship by the United States, United Kingdom and France) to convene African FLEG Ministerial Process in 2002-2003.

The World Bank is also involved as a major partner in the process to invoke North Eurasian FLEG Ministerial Conference.

### 2.3.3. The East Asia Forest Law Enforcement and Governance

The East Asia FLEG (2001) Ministerial Conference was the first high-level regional political initiative addressing illegal logging. The participants declared after the conference that they would:

*“Take immediate action to intensify national efforts, and to strengthen bilateral, regional and multilateral collaboration to address violations of forest law and forest crime, particularly, illegal logging, associated illegal trade and corruption, and their negative effects on the rule of law.”*

Most of the countries in the region signed the relevant declaration and the attached list of Indicative Actions. Task Force and Advisory Group were established in April 2000 to encourage progress, and the following four key actions were identified (Speechly 2003):

- *Develop a clear FLEG strategy for the region;*
- *Establish a web-based central clearing house for information on concessions, legal frameworks, responsible government officials etc.;*
- *Create systems for individual countries to prioritise actions and to report back on obstacles and developments;*
- *Conduct regional research on domestic and regional supply and demand.*

A draft standard resulting from stakeholder consultations that describes the requirements for legal timber from Indonesia was prepared and is ready for field-testing in the Berau district (Legality Standard 2004). Nothing is known about their likely implementation or outcome.

### 2.3.4. Africa Forest Law Enforcement and Governance (AFLEG)

*The participants of the AFLEG (2003) Ministerial Conference declared their good intentions in 30 statements covering all thinkable aspects of illegal logging on, recognising indigenous peoples' rights, willingness to fight corruption, involvement of private sector and NGO's, putting new laws in place, addressing issues of illegality in the forest sector, and re-establishment of good governance in post conflict situations...*

The declaration and the indicative list of actions were accepted by acclamation by the countries present at the Conference, including most of the African Countries.

### 2.3.5. The World Summit on Sustainable Development (WSSD)

The World Summit includes in its final Implementation Plan of the commitment to *“take immediate action on domestic forest law enforcement and illegal international trade in forest products, including in forest biological resources, with the support of the international community, and provide human and institutional capacity building related to the enforcement of national legislation”*. (WSSD 2002).

In addition to the formal outcomes, the Summit saw the announcement of a wide range of informal outcomes, or partnerships for implementation, bringing together governments, intergovernmental organisations and non-governmental actors such as businesses, NGOs and community groups. A number of these are relevant to illegal logging, in particular the Asia Forest Partnership - which includes developing log tracking and verification systems, measures to eliminate the export and import of illegally harvested timber, and data sharing and information exchange on illegal logging and the trade in illegal timber - and the Congo Basin Initiative.

The European Commission underlined its commitment to combating illegal logging and trade in illicitly produced timber. European Commissioner Mr. Poul Nielson called on wood-consuming countries to recognise the vital role they must play in closing down the international trade in illegal timber. The EU's commitment at the WSSD led to the FLEGT Action Plan and now the first proposal for a Council Regulation is following up on some of the action plans suggestions (Council Regulation 2004).

### 2.3.6. President Bush's Initiative Against Illegal Logging

On 28 July 2003, the US Secretary of State, Mr. Colin L. Powell, formally launched the President's Initiative against Illegal Logging. That initiative was developed at direction of President Bush with the objective to assist developing countries in their efforts to combat illegal logging, including sales and exports of illegally harvested timber, and in fighting corruption in the forest sector (White House 2003).

The Initiative focuses on three critical regions – the Congo Basin, the Amazon Basin, and Central America, and South and South East Asia. The Initiative concentrates also on identification and reduction of threats to protected forest areas and other high value conservation forests from illegal logging through the following four key strategies:

- *Good governance;*
- *Community based actions;*
- *Technology transfer;*
- *Harnessing market forces.*

Together with announcement of that initiative also the commitment of funds at the level of 15 million US \$ for its implementation during 2003 was announced. This initiative mentions the United States' leadership in raising the international awareness of the devastating global problem of illegal logging and identifying the actions to address it.

## 2.4. Bilateral agreements: the UK – Indonesia Memorandum of Understanding

The Indonesian government signed three Memoranda of Understanding (MoU) to combat illegal logging. The newest one is the MoU between Indonesia and Japan declaring their intent to cooperate on their opposition to illegal logging and trade in illegal forest products by building on the current bilateral schemes and multilateral frameworks (The 2003 Japanese-Indonesian Memorandum of Understanding). The MoU concluded with China focuses on combating illegal trade of forest products (The 2002 Chinese-Indonesian Memorandum of Understanding).

The Indonesian-UK Memorandum of Understanding (2002) concerns the co-operation to improve forest law enforcement and governance and to combat illegal logging and the international trade in illegally logged timber and wood products. It aims at establishment of a system of legality identification and verification in Indonesia (with capacity-building assistance from the UK), and to move towards exclusion from the UK/EU market of these products which have not been so far identified.

Although the MoU as itself can have only limited effects on trade in illegal timber, it is highly significant for practical lessons which will be learned from both the experience gained on its implementation, and the demonstration of political will it represents. Other bilateral agreements are at initial phase of their negotiations and have to be encouraged.

## 2.5. Illegal logging in other international processes

### 2.5.1. Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

166 countries<sup>6</sup> signed the 1973 Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), and they include all major timber-producing countries. Only a few tree species are mentioned in Annexes listing species covered by trade regulations. In the context of the measures planned under FLEGT-agreements (e.g. proof of legality licenses, third party verification), the experience gained on the CITES species are of relevance, as are the deliberations to what a degree the materials traded with CITES-licenses should be excluded from the requirements of new licenses, or whether any other ways for combining the systems could be found in order to avoid double, and thus redundant procedures.

### 2.5.2. Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD)

As of June 2004, 36 countries<sup>7</sup> ratified the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD 1998). It is only Brazil which ratified it among the major timber producing countries. None of Southeast Asian or African countries have so far become the signatories thereof. Similar is the case of all former Soviet Republics, except for Estonia. On the other hand, all the major timber consuming countries in the regions where illegal logging is suspected already ratified the Convention. Since illegal logging often links to corruption in the public sector, an increase in efforts to combat the latter is also seen beneficial in abolishing the former.

<sup>6</sup> List of signatory countries is available on [www.cites.org](http://www.cites.org)

<sup>7</sup> Countries which ratified the Convention are: Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, Czech Republic, Estonia, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States.

## 2.6. Public and private sector initiatives in the major importer countries

In spite of lacking legal framework to exclude illegal material from timber markets, both the public and private actors have launched several initiatives to this end, partly also as a response to NGOs and several political groups.

### 2.6.1. Public procurement policies

As for the public sector, it mostly involves the policies, which the public entities (e.g. national or regional governments, municipalities) deploy as the buyers on forest product markets (i.e. public procurements) in order to ensure that wood from legitimate sources is only used in implementation of the public projects (e.g. in construction and furnishing of the public buildings).

Garfoth (2004) compiled the list of existing (or planned) procurement policies that is presented in Table 2.

Table 2. Summary of the public procurement policies in the major consumer countries (Garfoth 2004).

Country	Is there a policy in place?	Date when the present policy was adopted	Scope of application / comments
Denmark	Yes	June 2003	Serve as guidelines for "public and semi-public" institutions. Cover raw materials, finished goods and intermediate products incorporating wood from tropical forests, whether they are natural forests such as rainforests, or plantations. Recycled wood and paper products are not covered.
Finland	No	–	
France	No	–	A report from WWF The Timber Footprint of G8 and China noted that in 2002 the French Minister for Environment stated that: "The government has decided to include criteria in its public procurement practices which favour the purchase of timber by FSC or equivalent certification systems". There is no evidence of progress.
Germany	Yes	1998	The Federal Government's policy is to check whether purchases of tropical timber are supported by reliable certificates. However, the government has not published any criteria for assessing whether a certificate can be considered "reliable". The government develops currently a broader procurement policy that will cover both tropical and non-tropical wood. The policy will establish criteria to evaluate certification systems. The criteria will use the Forest Stewardship Council's (FSC) system as a benchmark.
Ireland	No	–	Enquires to the Ministry of Finance which is responsible for procurement policy, and searches the Ministries of Finance and other government websites revealed no evidence of a policy to take account of environmental considerations in procurement.
Italy	No	–	
Netherlands	No	–	
Portugal	No	–	
United Kingdom	Yes	July 2000	Mandatory for all UK central government departments and executive agencies. Covers solid and engineered wood products and paper. Policy is different on paper and focuses on recycled content. We can provide details.
Northern Ireland	No	–	
Scotland	Yes	July 1999	Mandatory for all departments of the Scottish Executive. Serves only as guidance for other public authorities in Scotland. Covers solid and engineered wood products and paper.
Wales	No	–	The Welsh Assembly's procurement policy includes consideration of environmental and social factors in procurement although timber and timber products are not expressly mentioned.
USA	No	–	

### 2.6.2. Private sector initiatives by the forest sector

Internationally active forest sector companies have already implemented the systems to ensure legality of their raw material procurement, especially from countries where the risk of purchasing illegal material is considered significant. Typically, these include the following measures:

- Inclusion of legality (e.g. proof of logging rights and, proof of origin-clauses into contracts);
- Requirement to name the origin of material to the purchaser;
- Right of the purchaser to inspect the logging site (or to be present during logging operations);
- Ex post auditing of contracts and exclusion from the future contracts if breaches of legality requirements are detected.

Whether the implementation of any such system is also accompanied by third party verification is a subject of discussion between NGOs and the forest sector companies.

Within the area of interest for the MCPFE, wood procurement for export from (European regions of) the Russian Federation into other parts of Europe is the issue mostly discussed in context with measures to prevent illegal logging and related trade. Consequently, several of the major companies active in this trade have already implemented their own systems to ensure the legality of the material acquired.

Table 3 below compares various systems of private sector measures currently implemented to ensure the legality of material imported from the Russian Federation, by indicating which features are included into the systems of various companies<sup>8</sup>. The companies involved in this comparison are from Northern and Western regions of Europe (i.e. from EU-15 members), as well as from the Russian Federation. As the purpose of this comparison is not the approval or disapproval of any system, but rather to illustrate various approaches, the names of the companies have not been shown in the Table.

General information on the various measures was acquired from companies' public relation materials (annual reports etc.). In addition, the company representatives have been requested to provide specific details upon request. All companies involved in this comparison were co-operative and forthcoming in provision of the information required on the design of their systems. The actual implementation of the systems could not be assessed within the scope of this study.

It is noteworthy, that the criteria used for comparison of the systems have been selected in order to illustrate the various approaches currently in use. The Table 3 contains no indication as to the relative importance or effectiveness of any of the measures used. It is left to the Reader to decide which of the measures (i.e. criteria) could be considered more relevant or decisive for the success of any of the implemented systems, than the others. Thus, while a higher "score" is likely to indicate a more "thorough" system, because more checks are included, a lower score does not automatically indicate any system's ineffectiveness.

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<sup>8</sup> Source: Assessment by project team at EFI, names of companies and further details are available upon request.

Table 3. Comparison of various systems implemented by companies active in wood acquisition in and import from the Russian Federation to other MCPFE signatory countries.

Indicator	Company A	Company B	Company C	Company D	Company D	Company E
Declared attempt to avoid illegal wood	1	1	1	1	1	1
Information system on wood origin tracing	-1	1	1	1	-1	-1
Access to the information on wood origin from Internet	-1	0	1	0	-1	-1
Environmental principles included into the contract	1	1	1	1	1	1
Information about wood origin tracing is published on company's website	-1	1	1	0	-1	-1
Declaration that they won't buy wood on high conservation value forests, identified by NGO's	-1	1	1	1	-1	0
Using of approved guidelines on how to carry out audits	0	1	1	1	-1	0
Using GIS for supporting wood tracing	-1	1	1	1	0	1
Using GPS coordinates of the audited sites	-1	1	-1	-1	0	-1
Completeness of wood origin and audit forms (maximum questions at forms of Stora Enso)	-1	1	0	0	1	1
Company supports the forest certification	1	1	0	1	1	1
Third party verification of wood origin tracing system	-1	1	1	0	-1	-1
Declaration of supporting FSC	1	1	1	0	1	1
Declaration of supporting PEFC	-1	1	1	0	-1	1
Deliveries from Asian parts of Russia are forbidden	0	0	0	1	-1	-1
Requesting more information than the Russian Government	-1	1	1	0	1	1
Wood origin reports published	1	1	1	0	-1	1
ISO certification of traceability system	0	1	1	0	0	0
Stand identification in statement of origin	1	1	-1	1	1	-1
Special methods for selection of suppliers for audits	0	1	1	1	-1	1
Total:	-4	18	13	9	-3	3
The number of "1"	6	18	15	10	7	10
The number of "-1"	10	0	2	1	10	7
The number of „0"	4	2	3	9	3	3

## Legend:

"1" – indicator is clearly shown,

"-1" – absence of indicator is clearly shown,

"0" – no data is available about this indicator.



# 3. Information available on illegal logging in Europe

## 3.1. Introduction

Current information on the state of “illegal logging” and “trade in illegally logged material” can be found from various sources. Governmental organisations, NGO’s, research organisations and mass media publish information on the issue. The information available on the scale of illegal logging on the national level varies between European Countries. Possible limitations for data accessibility are:

- the current extent of illegal activities;
- the importance of forestry sector and the extent of forests;
- the government attention to the problem;
- the media freedom and interest in the issue within the country;
- the level of NGO’s and other international interest.

The country reports presented at the “UNECE/FAO Workshop on illegal logging and trade of illegally-derived wood products in the UNECE Region”, held on 16-17 September, 2004 in Geneva, Switzerland are valuable sources of information. 31 Country Reports<sup>9</sup> were presented altogether, and 26 among them are from Europe (including the Russian Federation). All the country reports are available on the UNECE’s website.

It is important to realise that the purpose of this section is to illustrate the type of information, which is currently available on the topic in Europe. The institutions presenting this information may have differentiated interests in this context.

For official authorities in any given country, the high estimates on illegal logging may constitute an embarrassment as these hint at ineffective enforcement of legislation or – even worse – bribery and corruption in the sector. On the other hand, while certainly not interested in “high levels of illegal logging”, the NGOs publish alarming figures to raise attention to the need for stricter conservation measures and the potential value of certification and verification schemes, as well as the need for more intensive protection and conservation measures. For forest sector industries, publishing the high levels of illegal loggings is potentially damaging to their image and eventually to their market perspectives, including also the competitiveness of wood in relation to potential substitutive materials.

As the Reader of this study will notice, in some countries’ official statements links have been made between the phenomenon of illegal logging and the ethnicity of the alleged perpetrators. The Authors of this Study decided also to present the references to such statements in this compilation, even though they consider such links politically as well as ethically problematic. Again, the reason for this decision was that the purpose of a report is to provide an overview on the currently available information as well as the state of public discussion on the issue.

While there is a focus on certain regions commonly seen as “critical” in the context of illegal logging, also information for seemingly “unproblematic” regions was collected. Where possible the Authors of this study tried also to identify the “original” source for studies, as closer analysis has shown that often different cited publications can be “tracked down” to the same source quota.

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<sup>9</sup> Armenia, Kyrgyzstan, the Russian Federation, Tajikistan, Turkmenistan, Ukraine, Austria, Denmark, Finland, France, Germany, Spain, Greece, Italy, the Netherlands, Norway, Sweden, Switzerland, United Kingdom, Albania, Bulgaria, Estonia, Latvia, the Former Yugoslav Republic of Macedonia, Poland, Romania, Serbia and Montenegro, Slovakia, Slovenia, Canada and the United States.

The results from most of the studies and sources introduced in this section are reported in detail in Chapter 4.1 “Available quantitative estimates on the scope of the problem in European Countries”.

### 3.2. Available Information on different European regions

#### 3.2.1. The Baltic Countries<sup>10</sup>

The WWF (WWF Latvia 2003a) gives an overview on illegal logging and related trade in three Baltic Countries: Estonia, Latvia and Lithuania. The study does not include any deep analysis of the situation (e.g. by means of statistic data) and focuses mainly on expert opinions. The WWF uses the World Bank definition for “illegal logging” in this study, which includes a broad set of illegal activities during the forest harvesting, transportation, processing and consumption cycle. The study includes estimates of illegal logging based on given definition, driving factors and impacts for each of the Baltic Countries, also includes recommendations provided by experts on how to eliminate illegal logging. Particular about this study is the included list of persons contacted – giving names and contact information. Some information on illegal activities and trade of illegally derived wood products in Estonia and Latvia was presented at UNECE/FAO Workshop, and the country report for Lithuania is available online.

#### Estonia

The Estonian Green Movement-FoE (Ahas 1998; Ahas 2002; www.roheline.ee) publishes most of the information on the issues of illegal logging in Estonia. Information is available both in English and Estonian. Information in English is also published by other organisations, such as WWF or FERN. In most cases, these refer to publications of R. Ahas or Estonian Green Movement-FoE.

Official figures of illegal logging cases, such as the volume of illegally harvested timber, the amounts of penalty fines inflicted, and estimates on economic and environmental damage can be found from the Forestry Statistical Yearbooks. For the purpose of this Study an update of this information has been obtained from Governmental Officials at the Estonian Ministry of Environment. Moreover, the further information has been published at the UNECE/FAO Workshop.

BfU (*Betreuungsgesellschaft für Umweltfragen*) (2003a) gives an overview on the issues of illegal logging in Estonia and also illustrates some case studies. The illegal logging is interpreted in that study as a form of environmental crime. Some information on driving factors and estimates is given by Bouriaud (submitted).

A seminar on “Tracking the origin of the timber” with representatives of the forest industry, State Forest Management Service and NGO’s (Estonian Fund for Nature and Estonian Green Movement) was held on 13 March 2002 in Tartu, Estonia. Presentations given by some of the participants and additional information on the discussions has been so far only published in Estonian (ELF 2002).

Some cases of illegal logging in Estonia have been presented extensively in the mass media. For example, illegal logging case in Lahemaa National Park and investigation process in 2002 were well described in the biggest Estonian newspapers – Aripäev, Postimees and Eesti Päevaleht. Mass media were following the case from May till November 2002.

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<sup>10</sup> This term normally comprises the three new EU Member States - Estonia, Latvia and Lithuania.

## Latvia

The phenomenon of illegal logging in Latvia is recognised both by the governmental and non-governmental organisations. The mass media report on illegal logging related issues, too.

The WWF is the most active NGO dealing with the issues of illegal logging in Latvia. There are a few reports published in co-operation with other organisations – WWF & Taiga Rescue Network 2002; WWF Latvia 2003b; WWF/World Bank 2003. These reports mostly include information on trade in illegally harvested timber, legal regulations and procedures how to evade them (WWF Latvia 2003b), impact on tax revenues and data discrepancies (WWF/World Bank 2003), and timber trade between Latvia and Sweden (WWF & Taiga Rescue Network 2002) as Sweden is the biggest importer of Latvian timber.

Official statistics on illegal logging cases, the volume of illegally harvested timber, the area affected by illegal logging and economic loss for the State owned and other forests can be found on the homepage of State Forest Service ([www.vmd.gov.lv](http://www.vmd.gov.lv)) in Latvian and English. There are also maps available showing the dynamics of illegal harvesting cases and the dynamics of the volume of illegally harvested timber for years 2002 and 2003, and for each administrative district. Further information on illegal activities in each administrative unit can be obtained through direct contact with officials of the State Forest Service. Some of official figures were presented at UNECE/FAO Workshop.

The existence of logging and trade data discrepancies in Latvia is also recognised by the Governmental authorities. It is believed that the discrepancies could be explained by existence of timber of unknown origin on the timber markets. Brief information on this issue can be found in report on forest resources (Dubrovskis 2003) of Latvian National Programme of the Forest Sector and Related Industries, and in Market Statement for UNECE Timber Committee (Republic of Latvia 2003). The State Audit Office of the Republic of Latvia (2002) indicated the data discrepancies as a problem, too.

Latvian mass media occasionally report on the issues of illegal logging. Articles on the issue representing minor aspects (individual crimes) are published usually in the local newspapers, e.g. “Kurzemnieks” ([www.kurzemnieks.lv](http://www.kurzemnieks.lv)). The major aspects of illegal logging such as e.g. corruption of the State authorities and gaps in existing forest legislation are reviewed in “Lauku Avīze” ([www.laukuavize.lv](http://www.laukuavize.lv)), the biggest newspaper for rural areas, and in everyday newspaper on legal matters “Latvijas Vēstnesis” ([www.vestnesis.lv](http://www.vestnesis.lv)). Some fragmented information on the issue can be also found in other newspapers which are not listed above.

## Lithuania

Information on illegal logging activities in Lithuania is very fragmented. Illegal logging and related issues are not widely discussed, even though the activity level of NGO's is high. The Lithuanian Green Movement published some information on the situation in Lithuanian forests (Ašmantas 2001). WWF (2004b) writes “more in-depth assessments on the scale of illegal logging are necessary”.

Official statistical data on the number of illegal logging cases and the volume of illegally harvested timber in private and State owned forests are found on the website of the General Forest Enterprise at the Ministry of Environment ([www.gmu.lt](http://www.gmu.lt)). However, more in-depth information is only in Lithuanian. Some figures are presented in Lithuania's country report. The statistics on illegal logging in Lithuania records also the violations against other administrative norms (Bouriaud and Niskanen 2003).

Brief information on the issues of illegal logging can be found in the journal “Baltic Forests and Timber” ([www.bmm.lt](http://www.bmm.lt)). BfU (2003a) gives an overview on the issues of illegal logging in Lithuania as a form of environmental crime. Bouriaud (submitted) investigates some of the causes of illegal logging in Lithuania.

### 3.2.2. Central and East European Countries<sup>11</sup>

Information on illegal logging and trade in illegally logged material in Central and East European countries is very fragmented. The analysis of available materials shows that the problem of illegal logging is detected in all these countries. However, there is a lack of further investigations on driving factors and official statistics. Bouriaud (submitted) gives some estimates on the scale of illegal logging in these countries. Most information on the scale of illegal activities in CEEC, except for Moldova<sup>12</sup>, can be found in UNECE/FAO Workshop country reports.

Apart from the country reports, most information is found for Czech Republic. BfU (2003a) gives a brief overview on methods of illegal logging in Czech Republic, and one case study. It also includes some official statistics. The Forest Management Institute ([www.uhul.cz](http://www.uhul.cz)) publishes official statistics of unauthorised fellings, which provides data on the type of the Forest Act violations, the number of cases, and the volume of illegally harvested timber. The statistics on illegal logging in Czech Republic record also the violations against other administrative norms (Bouriaud and Niskanen 2003).

BfU (2003a) also gives overview on the issues of illegal logging in Hungary and Poland. WWF (2004b) gives overview on illegal logging in the Czech Republic, Hungary and Poland, but refers to BfU (2003a). WWF (2004b) estimates illegal logging as a significant issue also in Slovakia. Some information on illegal logging cases in National Parks in Slovakia is found, too (VLK Východné Karpaty 2002).

WWF also reports on illegal activities in the Białowieża National Park, located in the border area between Poland and Belarus – Poland (WWF 2003) and Belarus (Socio-Ecological Union [www.seu.ru](http://www.seu.ru)).

WWF (2004b) reports that no adequate information on illegal logging related activities in Ukraine is available. UNECE (1998) and UNEP (2000) give some estimates on illegal logging in Moldova.

There is very limited information on illegal logging related issues in Central and East European countries both in English and the national languages.

### 3.2.3. The Balkan Region<sup>13</sup>

Fragmented information on the scale of illegal logging and trade in illegally logged material can be found from the country reports for UNECE/FAO Workshop for most of the countries in the Region. For example, in case of Croatia, such country report is the only source of information.

The World Bank (2003) writes that forests in Serbia are threatened by illegal logging. The Serbian Unity Congress (1999) was reporting that ethnic Albanians are illegally logging public forests

<sup>11</sup> In the context of this Report, Central and East European Countries include the Czech Republic, Hungary, Poland and Slovakia, all of them are new EU Member States. Eastern Europe also includes Belarus, Moldova and Ukraine. It is known that illegal logging also occurs in these countries but available information is very scarce.

<sup>12</sup> The country report for Moldova is not available.

<sup>13</sup> The Balkan Region is represented with Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia and the new EU-member Slovenia. So far, no information on Croatia has been found in the studies for this study.

in Kosovo and Metohija. Illegal logging is also reported from Bosnia and Herzegovina (Clancy 2004) and the Former Yugoslav Republic of Macedonia (Reality Macedonia Team 2002). Albanians are often blamed for carrying out illegal logging practices in Macedonian forests especially near the border areas (Reality Macedonia Team 2002). However no estimates on the scale of illegal logging activities are available for Serbia, Bosnia and Herzegovina and the Former Yugoslav Republic of Macedonia. Bouriaud (submitted) gives estimates for Albania, Bulgaria, Romania and Slovenia from their national statistical accounts and other sources.

There is a study on illegal logging in Albania prepared by the Albanian Centre for Economic Research (ACER 2001). In that study, illegal logging is analysed from the perspectives of the two motivating factors: commercial interests, and poverty. It also creates a statistical portrait of illegal logging activity in Albania and includes recommendations to improve the current monitoring system and legal framework. Illegal logging in Albania is seen not only as a socio-economic problem, but also as an environmental one (UN 2001), which leads to habitat loss and threatens many plant populations (Leigh 2003). Albania Forestry Project supporting institutional and policy reforms was undertaken by the World Bank in 1996 (World Bank).

The World Bank (undated) has published estimates on illegal logging in Bulgaria – including the number of official records and the sanctions imposed, and the volume of wood harvested illegally. Bulgaria Forest Development Project (World Bank 2004) gives an overview on illegal logging in Bulgaria. It describes the character of illegal logging and the actors involved. It also includes a brief overview of the effects on some of the rural groups if illegal logging would be eliminated.

Bouriaud and Niskanen (2003) give brief information on illegal logging in Romania. Bouriaud (submitted) also studies the cause of illegal logging in Romania. Rural poverty is seen as one of the main causes for illegal logging in Romania. Romanian forest product trade statistics with other European Countries are analysed by Vincent (2003). European Forest Institute's EFI/WFSE Trade Flow Database was used as the major source of data for that study.

The National Forest Administration Romsilva publishes official statistics on illegal felling. Mass media usually present minor aspects (individual crimes) of illegal logging in Romania.

WWF (2004a) carried out a preliminary study on illegal logging levels in Bulgaria and Romania.

The lack of information in Balkan region can be explained by the difficulties in data accessibility; illegal activities are not a serious concern of Governmental authorities and there is a low interest of NGO's on the issue. Most likely is also the fact that the consequences of the conflicts of the 1990s can still be felt both economically and socially and this may mean that the public's major concerns have been still focussed on other issues.

### **3.2.4. The Russian Federation (European regions)**

The size of the European Russia's forest resources and the importance of the raw material exports to the forest sector in certain EU Member States have resulted in a high level of public interest in Russian forestry. The forestry activities in general, and the scope of illegal activities in specific, are discussed frequently by NGOs and featured in mass media in EU Member States.

Most information on illegal logging related issues in the Russian Federation is published by NGO's such as Greenpeace and WWF.

Morozov (2000) describes two categories of illegal logging: 1) cuttings carried out without permits, or with forged permits; and 2) cuttings with official permit which, in and of themselves, cannot guarantee that the felling is legal. Greenpeace published the report in Russian and English,

and with an English summary (Greenpeace 2000). Some authors (Contreras-Hermosilla, 2002a and 2002b; Tacconi et al. 2003; Toyne et al. 2002; Auer et al. 2003) mentioning illegal logging in the Russian Federation have referred to that summary.

Most papers published by Greenpeace concern illegal logging in the Far East of the Russian Federation, only a limited number of the references have been made to the European regions. Information on forest destruction in the Russian Federation is available on the websites Greenpeace's National Offices in other European Countries, e.g. Germany, Italy, France, Netherlands and others.

The WWF is the major source of information on illegal logging related issues covering all parts of the Russian Federation, and particularly the European part. There is a list of various publications giving overview on illegal logging problem in general (Kurukulasurya and Kotlobay, not dated; WWF 2001; WWF 2004c). There are also studies on Russian – Swedish forest product trade (Lopina et al. 2003), and Russian – Danish forest product trade (Brukhanov et al. 2003). The WWF provides estimates on the scale of illegal logging in Northwest Russia and includes detailed references on the origin of the figures in some of the reports (Lopina et al. 2003; Brukhanov et al. 2003). A. Kotlobay (WWF) presented some of the results of ongoing research for Arkhangelskaya and Vologodskaya Oblast on the International Conference held in Arkhangelsk, in 2004<sup>14</sup>. However, there is no intention to publish these results (interview with Elena Kulikova, WWF Russia, 3 September 2004). The method used by WWF is based on a comparison of production (i.e. harvesting) and consumption (i.e. processing and others uses) statistics (taking imports and exports into account). The principal challenge in implementing this method lies in correct identification of those quantities on both sides of this equation, which do not show up in official statistics, such as small scale harvests and processing as well as the local use for household-needs (e.g. fuelwood). Attempts to make more region-specific statements using this method face the additional problem of partially incomplete registration of inter-regional trade within the Russian Federation<sup>15</sup>.

The Russian Ministry of Natural Resources estimates illegal logging as the share of harvests violating forestry regulations, while based on the official registration of such violations. Equaling the level of a criminal activity to the number of officially registered cases may result in an underestimation of the phenomenon, because not all cases of illegal logging can be found and registered due to different reasons, like lack of personnel and financial resources of the State forest authorities. The comparison with other areas of crime, such as trade in illegal drugs, or smuggling in general, illustrates the problems.

The sources published by the Ministry provide statistics for all forest related trespassing and include also illegal harvesting. Officially published data on illegal logging cover the whole Russian Federation. Official data for individual regions, which would allow for an inter-region comparison, are harder to access. There is also a country report available for the Russian Federation from UNECE/FAO Workshop that was presented by the representative of Federal Forest Service of the Russian Federation.

Mass media (News Agencies Rosbalt and Regnum, the Pravda daily, and others) which give illegal logging estimates most often use WWF as the major reference, followed by Greenpeace. Only few media use the figures published by the Ministry of Natural Resources of the Russian Federation. Some journalists participate in spot checks together with forest guards and police.

<sup>14</sup> NW Russian Forest Sector towards Responsible Business and Sustainable Forest Management, 4 – 5 March 2004, Arkhangelsk.

<sup>15</sup> In co-operation with a Russian researcher, the Project Team at EFI has also carried out an analysis of "production-consumption-data-comparison" for the North-Western Regions of the Russian Federation and thus had the first hand insight into the opportunities of this method.

Later in the articles, they represent the socio-economic situation in the country, corruption, organised crime structures, weak law enforcement, and insufficient work of the court system, as the driving forces which have underpinned the illegal forest activities.

Kakizawa (2001) has carried out research on illegal logging in the Russian Federation with a focus on its Asian regions. However, the work also includes information on the legal system for forest management, disciplines of officials, actors of illegal logging and other mainly institutional factors, which are applicable also for the European part of the Russian Federation. The Japan Federation of Wood-Industry Associations supported the study because Japan is the biggest importer of timber from Russia.

Bosquet (2002) gives some information on trade in illegally logged timber. Toyne et al. (2002) give estimates on the share of illegal exports to some of the European countries. For one of their estimates a reference is made to Boske (2001)<sup>16</sup>. Researchers from University of Joensuu (1996) have also participated in custom audits on the Russian – Finnish border.

### 3.2.5. Other European Countries<sup>17</sup>

Illegal logging interpreted narrowly as the „illegal harvesting” is not discussed as an issue in other European countries. At the national level, illegal logging is a negligible problem and only few violations have been recorded. This involves either outright theft – of comparatively small quantities – of timber from storage places in the forest or at roadside, and prepared for transportation, or the cutting of timber in context with the conversion of forest land to other forms of land use without obtaining the proper permits. Fragmented information on illegal logging can be found from country reports for UNECE/FAO Workshop for most of the countries.

However, some cases reported from “West European” countries can be found also in other sources. The News Agency Rosbalt (2003) reports that illegal logging has been detected in Northern Sweden. Illegal tree felling also has occurred in United Kingdom (Fined for felling 2002). However, such activities are not widespread.

Tree felling usually requires permission from the forest authorities, in the form of a felling license, ticket, or felling application; and in most countries there is a legal requirement that the felled areas will be restocked, usually by replanting (Levy and Milne 2004). It is important to mention, however, that in several of the countries included in this group, there are simplified administrative procedures in place for small scale activities, especially for owners harvesting timber on their own property. Either there is a general dispense from obtaining licenses for small scale private uses, provided that the owner is able – upon request – to proof that his/her activities are overall in the frame of “sustainable use” (e.g. in Austria) or within the frames of management plans, which have been approved (or designed) by the authorities (e.g. Germany, the Nordic Countries).

Wider definitions of illegal logging also include trespasses against tax and labour legislation into the scope of the activities which can qualify harvested timber as illegal. Tax evasion by forest owners or operating contractors as well as trespasses against labour legislation (e.g. unregistered workers) are known to have occurred in several of these countries, but are mostly not considered to occur at the levels that would be seen as constituting a structural phenomenon of the sector.

<sup>16</sup> Most likely this is actually the “Bosquet” (2001) reference, as both reports concern the role of natural resources in tax structure and reform in the Russian Federation. The difference in spelling could be explained with transliteration of Cyrillic alphabet to Latin alphabet.

<sup>17</sup> Other European countries in the context of this study are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

Most of these countries are the important markets for illegally logged timber. Illegal imports from tropical countries are especially broadly discussed issue. Increasingly there is also a discussion on the suspected trade in illegally logged timber from other European Countries. This mostly concerns timber coming from European areas of the Russian Federation, the Baltic States, and the Central and East European Countries, since they are important timber exporters to Nordic and Western European countries. Some research institutions, e.g. University of Padova, in Italy, are involved in research of the phenomenon. Italy is the first export market for Romania, Serbia, Bosnia and Herzegovina, and Albania (Pettenella 2004).

There are no cases reported on organised crime in the sense of the study carried out by BfU (2003b). It has been confirmed by the national administrations (customs, police, etc.) in the EU Member States. This may be explained by the fact that illegal timber imports are provided with legal or faked certificates.

### 3.3. Conclusions

The analysis of available information shows that illegal logging is an issue of concern in the Baltic Countries, the Balkan Region, the European part of the Russian Federation, and to a lesser degree in some Central and East European Countries. Illegal logging can be found in all European countries in form of unauthorised transformation from forestry to other land-uses, yet there are very large differences between individual countries regarding the scale and driving factors of such activities.

Different sources show that almost all European countries are involved in trade in illegally logged material as producers or consumers. Most of information on the trade issues pertains to trade in illegally logged material between European Countries and tropical regions. During last years, there is continuously more and more information on trade in illegally logged material between European Countries (WWF & Taiga Rescue Network 2002; Brukhanovet al., 2003; Lopina et al., 2003; WWF Latvia 2003a).

### 3.4. Publicly available information sources (in English language)

There are various sources available on illegal logging and related issues in English. This information is published by Governmental organisations, research organisations, NGOs, media, industries and others. The list given below does not include all sources of publicly available information, as it would be impossible. The list includes links to popular websites of various organisations dealing with the illegal logging issue and having focus on Europe. All of these links were up to date and active as of the date of the submission of this study (i.e. November 2004).

EU Forest Law Enforcement, Government and Trade (EU FLEGT) – [http://europa.eu.int/comm/development/body/theme/forest/initiative/index\\_en.htm](http://europa.eu.int/comm/development/body/theme/forest/initiative/index_en.htm)

World Resources Institute – <http://forests.wri.org>

World Bank Forests and Forestry – <http://lnweb18.worldbank.org/ESSD/ardext.nsf/14ByDocName/ForestsandForestry>

Centre for International Forest Research – <http://www.cifor.cgiar.org>

European Forest Institute – <http://www.efi.fi>

Food and Agriculture Organisation – <http://www.fao.org/forestry>



Forests and the European Union Resource Network – <http://www.fern.org>

Friends of Earth – <http://www.foe.org>

Forest Club (All about Russian Forests) – <http://www.forest.ru>

Forest Integrity Network – <http://www.forestintegrity.org>

Greenpeace – <http://www.greenpeace.org>

Royal Institute of International Affairs – <http://www.illegal-logging.info>

International Tropical Timber Organisation – <http://www.itto.or.jp>

World Wild Fund for Nature – <http://www.panda.org>

Taiga Rescue Network – <http://www.taigarecue.org>

United Nation Forum on Forests – <http://www.un.org/esa/forests>

United Nation Economic Commission for Europe Timber Committee – Food and Agriculture Organisation European Forestry Commission – <http://www.unece.org/trade/timber>

## 4. Compilation of the scope and consequences in Europe

### 4.1. Available quantitative estimates on the scope of the problem in European Countries

#### 4.1.1. Introduction to information types and sources

The share of illegal logging is usually estimated as a percentage of the total logging. The sources available provide this information as the volume of timber (in cubic metres) obtained in violation of forestry legislation. In addition, the economic loss in EUR (€), USD (\$) or national currencies is published by some sources, using either the market value of timber, the value of stumpage fees and lost taxation income, or other evaluation approaches. Governmental sources often provide information on the number of registered trespasses against forest legislation.

Data used in this study include official estimates, estimates given by non-governmental organisations, such as the WWF and Greenpeace, and estimates published by various authors.

Official statistics only show crimes that were officially detected and reported. While it may be claimed that – as in other fields of criminal activity – these do not represent the full scope of the problem, these statistics are certainly useful in analysing the trends in illegal logging – changes in volume of illegally harvested timber and number of registered breaches, also dynamics of estimated economic loss.

Information published by NGOs usually aims at illustrating the full scope of the problem, using mostly indirect methods (e.g. comparison of the production and consumption statistics) in order to identify and illustrate the magnitude of illegal logging.

In addition to sources already published during the preparation of this Study (i.e. by September 2004), also the results of meeting organised by the UNECE/FAO have been included.

#### 4.1.2. Regional information

##### 4.1.2.1. Baltic Countries

The estimates available on the scale of illegal logging in the Baltic Countries are differentiated. According to statistics provided by the State forest authorities, the share of illegal logging in the Baltic Countries was between 0.7 and 1.0% in 2003 (national statistical accounts). Illegal logging is estimated by the State authorities as the share of illegally harvested timber volume in the total volume harvested. Some NGOs estimate illegal logging in Estonia between 40 and 50% (Ahas 2002) and in Latvia between 15 and 25% (WWF Latvia 2003). These estimates include violation of tax, social and other legislation issues (WWF Latvia 2003a; Ahas 2002). In discussion paper published by WWF Latvia (2003a) it is mentioned that interviewed Lithuanian experts interpret illegal logging in narrow terms and do not include tax issues, and in general they agree with official statistics.

## 4.1.2.1.1. Estonia

According to official statistics, 112,001 m<sup>3</sup> of timber volume was harvested illegally, which accounts for 1% of the total volume harvested in Estonia in 2003. The total of 689 cases of illegal logging was registered in 2003. In 230 cases the violation was done by the forest owners, in 25 by the entities under privatisation, and in 434 cases the violator has not been identified. However, the 54,626 m<sup>3</sup> volume of timber logged illegally by the forest owners is comparable to that of the unknown perpetrators – 56,233 m<sup>3</sup>. Some of these figures were presented in Estonian country report. The need for clearer definition of illegal activities has been recognised by the relevant authorities.

Figure 1 shows an increasing number of illegal logging incidents, and the volume of illegally harvested timber after 1998, and their decrease after 2000.

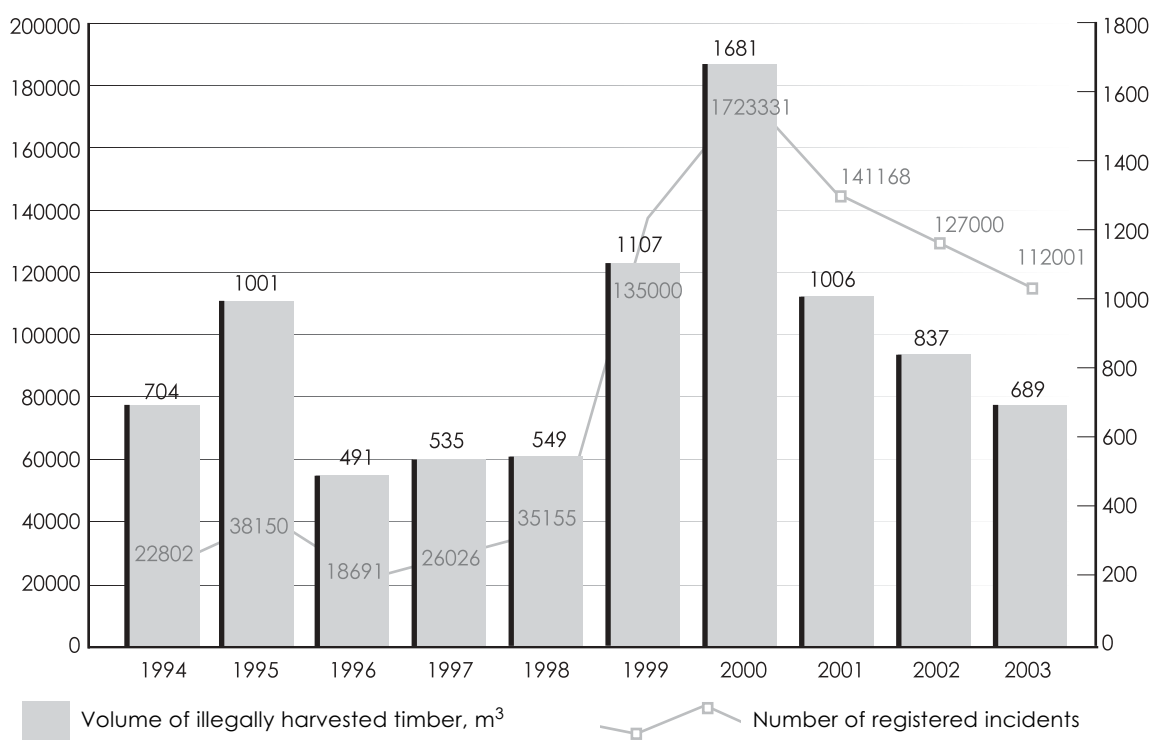


Figure 1. The volume of timber harvested illegally and the number of incidents in Estonia, in 1994 – 2002.

Sources: WWF Latvia, 2003, and Ministry of Environment of Estonia

The Estonian Green Movement (various publications) estimates illegal logging in Estonia as 40– 0% of the total logging. Ahas (2002) gives the share of different forest violations: forest theft – 5% of the felling volume; inadequate or fictive documentation – 20%; violation of felling and nature conservation regulations – 20%; deceptions of employer's taxes and income tax – 50%; VAT frauds: using intermediate, off-shores and concealed personalities; assortment tampering – 15%, and overrunning the permitted annual logging limit approved by forestry policy – 40%. The violations have a high overlap.

## 4.1.2.1.2. Latvia

According to statistics given by the State Forest Service, 2,139 cases of illegal logging were registered in 2003 in Latvia. 369 cases took place in the state owned forests, and the rest in other (mostly private) forests. The volume of illegally harvested timber was

102,981 m<sup>3</sup> that is 0.9% of the total volume cut. Nearly 90% (90,254 m<sup>3</sup>) of illegally harvested timber comes from private forests.

Figure 2 shows that illegal logging occurs mainly in forests with ownership type other than the state one. The general trend shows that both the volume of illegally harvested timber and the number of the cases registered has decreased.

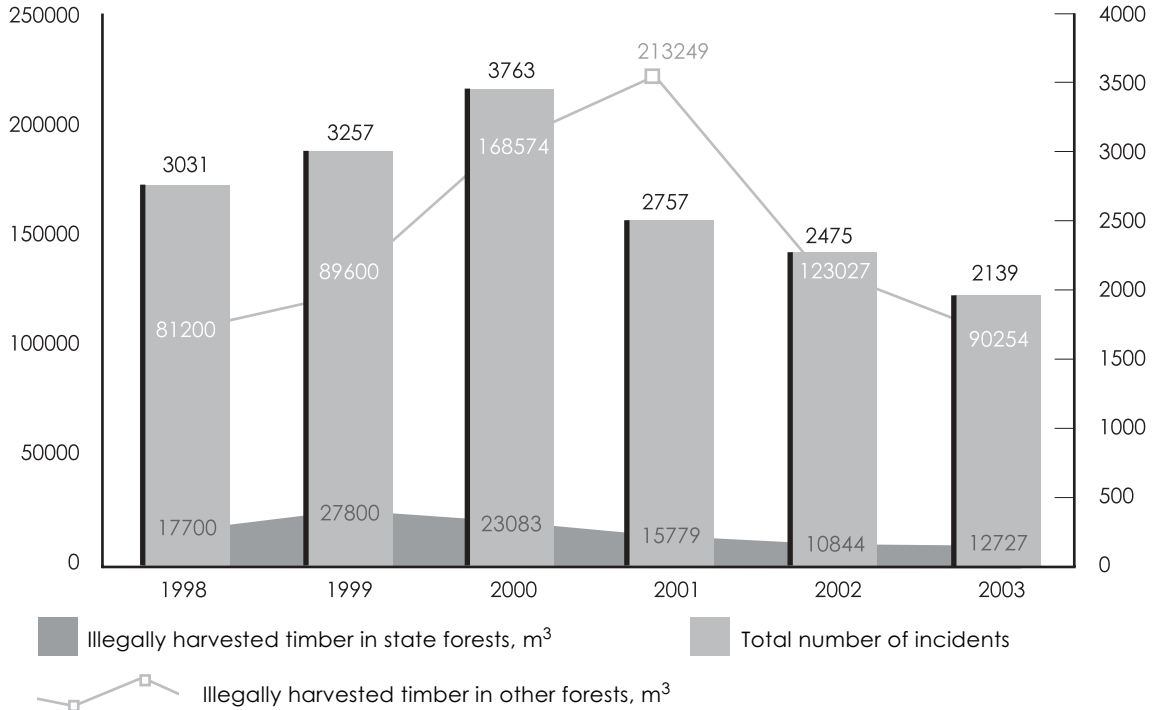


Figure 2. The volume of timber illegally harvest in the State owned and other forests, and the total number of incidents in Latvia, 1998 – 2003.

Source: The State Forest Service

A closer analysis of these official figures, however, shows the changes in trespasses nature and structure. While the number of illegal logging cases in “other forests” declines, it has increased in the state owned forests (Figure 3.).

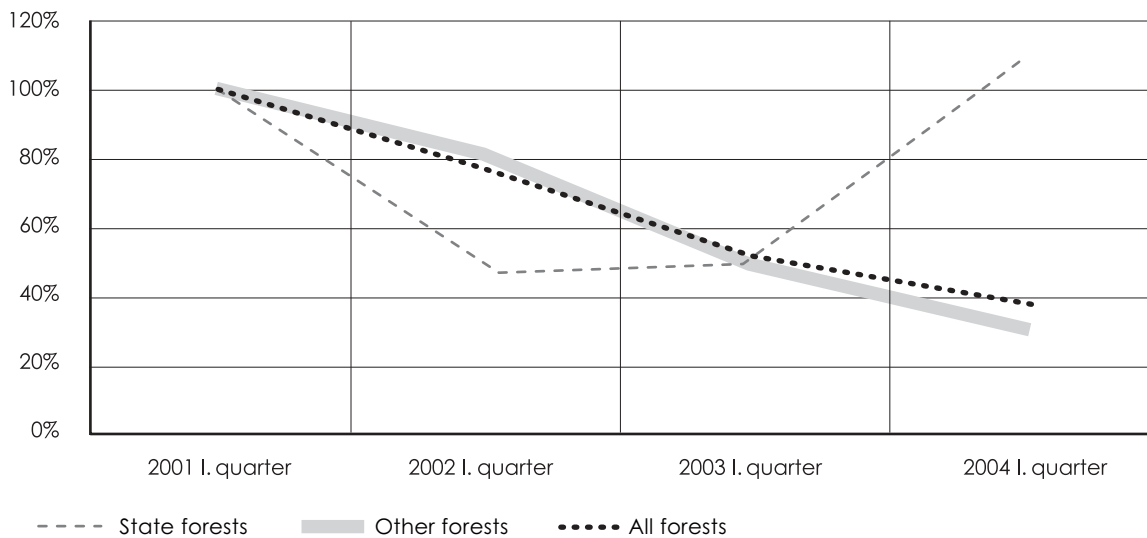


Figure 3. The percentage dynamics of illegally harvested timber volume.

Source: The State Forest Service

Director General of the State Forest Service, Mr. Otto Žvagiņš explains the increasing number of illegal logging in the state owned forests as the intensified activity of illegal operators, (Apine 2004). The background for this is seen as the higher market demand for timber, exceeding the supply legally available. The prices and competition are high and those who cannot or do not want to compete in legal market may have turned to the illegal methods (Apine 2004).

According to the State Forest Service, the total number of illegal logging incidents in 2003 was 2,139, including 369 of those, which took place in the state owned forests, and 1,770 in other forests. It is interesting to note, that for more than 200 out of these 1,770 the legal papers to carry out forestry operations were issued by the State Forest Service, but the forest owners failed to carry out these operations according to the specifications given (e.g. damage to remaining stand, cutting of trees not marked for cutting etc.). The number of this type illegal logging is decreasing due improvement in awareness of private owners. The majority of illegal logging, however, involves illegal activities carried out by the perpetrator on someone else's property (i.e. timber theft), that points out the difficulties which private owners face when safeguarding their interests on their land.

A comparison of officially registered production (i.e. timber harvest and imports) and consumption (taking exports into account) in Latvia for the year 2002 indicated 1.2 million m<sup>3</sup> of unknown origin. This resulted from the difference between the production volume of 12.2 million m<sup>3</sup> and the consumed volume of 13.46 million m<sup>3</sup>. As for other countries, some of this difference can be explained by legal, but yet for some reason unregistered, harvesting activities and other errors related to statistic registration (e.g. conversion factors), but also illegal logging has to be taken into consideration as a considerable factor causing this difference (Republic of Latvia 2003).

The WWF Latvia (2003a) estimates illegal logging in Latvia to be in the range of between 15 and 20%, based on the definition given in the cited study.

#### 4.1.2.1.3. Lithuania

According to data provided by Department of Forests of the Lithuanian Ministry of Environment, the volume of illegally harvested timber was 43,392 m<sup>3</sup> in 2003 what accounts for 0.7% of the total harvest volume. 80% of illegally harvested timber comes from private forests. Figure 4 shows that the number of breaches in private forests is higher than in the state owned ones, and since 1997 has increased threefold, from 361 in 1997 up to 1,073 in 2003. An opposite trend can be observed in the state owned forests, where the number of breaches in 2003 has decreased twofold since 1997, from 1,490 to 678. Some estimates are given in the country report.

The volume of illegally harvested timber is gradually decreasing in the state owned forests, but has increased in private forests with the peak in 2001 (41,317 m<sup>3</sup>) and following slow decrease afterwards. The general trend shows decline in volume of illegally harvested timber and illegal logging incidents. In the late 1990s, the process of returning property to the former land-owners gained momentum for Lithuanian forest. The limitations on the number of hectares which the former owner could have returned has been also raised from originally 25 hectares to significantly higher figure. This might explain why the incidents in private forest are increasing and those in the state owned forest have decreased. The percentage of private forests in the country has risen considerably for the last 5-7 years.

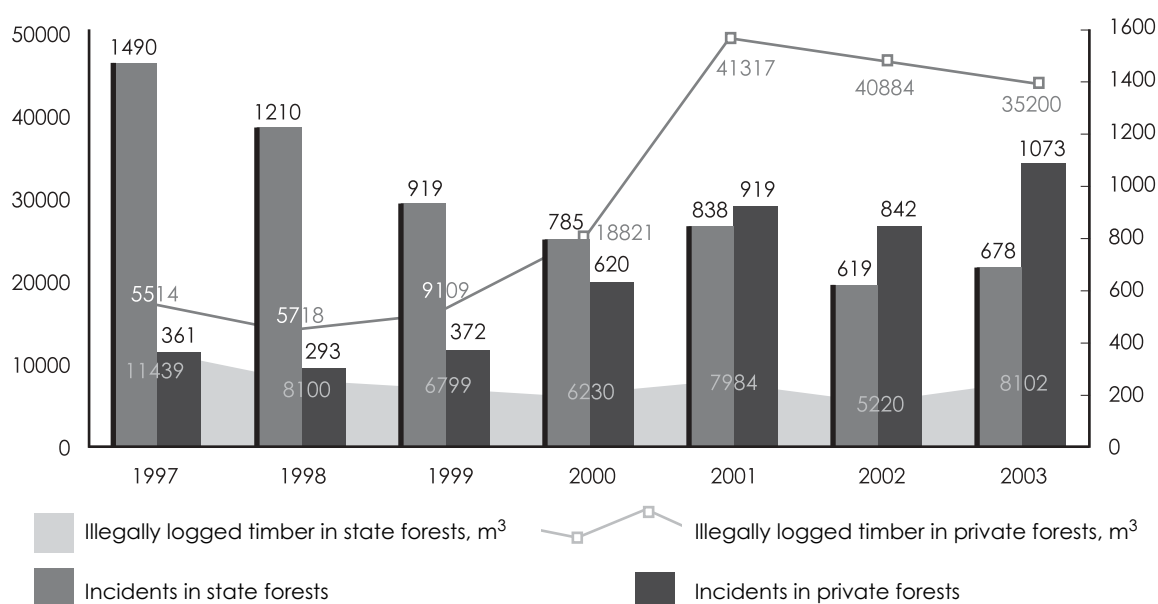


Figure 4. Illegal logging in the State owned and private forests in Lithuania, 1997 – 2003

Source: Ministry of Environment of Lithuania, Department of Forests

In 2003, most of illegal logging in private forests took place in North Western Lithuania – in Kretingos Forest Enterprise the 3,330 m<sup>3</sup> timber volume was harvested illegally, in Telšiy FE – 3,150 m<sup>3</sup>, and in Rietavo FE – 2,660 m<sup>3</sup>. For the State forests in the Kėdainių Forest Enterprise, which is located in Central Part of Lithuania, the figure amounted to 1,021 m<sup>3</sup> (Ministry of Environment 2004).

There is some information available on illegal logging and related issues from Lithuanian and international NGOs both in English and Lithuanian languages. The Lithuanian Green Movement (Ašmantas 2001) refers to official statistics but gives no its own estimates. The WWF (2004b) writes that more in-depth assessments on the scale of illegal logging in Lithuania are necessary.

#### 4.1.2.2. Central and East European Countries

Bouriaud (submitted) gives estimates of illegal logging in the total harvested volume in percentage as taken from the national statistical account and other sources for all countries in the Region (Table 5). There are also other estimates available for some of the countries, as taken from various sources. Additional information is available for the Czech Republic, Hungary, Moldova and Poland.

Table 4. The percentage share of illegal logging in the total harvested volume in Central and East European countries, in 2000.

	Illegal logging in the total volume harvested (%) 2000
Belarus	1
Czech Republic	1
Hungary	1
Moldova	4
Poland	1
Slovakia	1
Ukraine	1

Source: Bouriaud (submitted)

Figure 5 represents the official statistics on illegal logging incidents and the volume of illegally harvested timber in the Czech Republic. The Forest Management Institute gives estimates and those also are presented in the country report. Illegal logging constitutes around 50% of all forest violations.

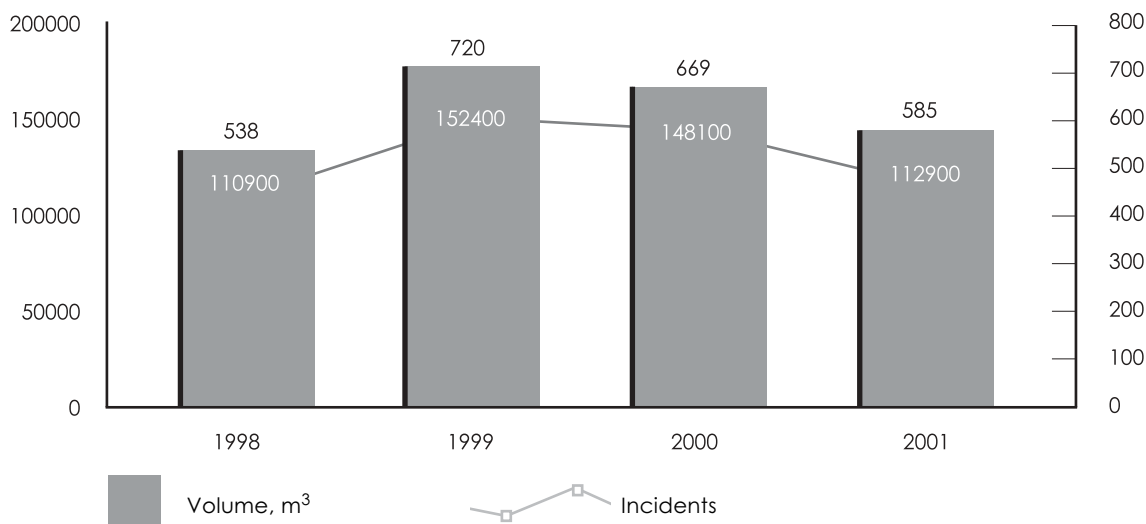


Figure 5. The number of illegal logging incidents and the volume of illegally harvested timber in m<sup>3</sup> in the Czech Republic, 1998 – 2001.

Source: The Forest Management Institute

In Hungary, the volume of 200-300 thousand m<sup>3</sup> timber is logged in violation of relevant laws (BfU 2003a). If 7 million m<sup>3</sup> timber is logged legally, then the share of timber logged violating relevant laws is 29 – 43% annually.

Illegal logging accounts for 170,000 m<sup>3</sup> of wood each year in Moldova, mostly from the 14% of all forests owned and managed by the local authorities (UNEP 2000). It is estimated that 65% of fuelwood needs have been satisfied by illegal logging (UNECE 1998).

In Poland, 11,243 incidents of illegal logging were reported in 1998, with the volume of 34,579 m<sup>3</sup> stolen timber (BfU 2003a). 80% of illegally logged timber is used for private purposes of the perpetrators.

With the exception of the Moldovan case, the comparison of illegal logging reported in these figures and the annual harvest figures show that, at least according to these figures, the illegal logging is not occurring at very high levels.

The WWF (2004a) estimates illegal logging in Slovakia between 10 and 15 percent based on existing official data and estimates build up on preliminary study.

Table 6 below summarises the estimates on illegal logging in CEEC<sup>18</sup> from country reports presented for UNECE/FAO Workshop. Illegal trade in the whole region is estimated below 5%.

<sup>18</sup> Except for Poland and Moldova.

Table 6. Illegal logging estimates from country reports presented for UNECE/FAO Workshop, 16-17 September 2004, in Geneva, Switzerland.

Country	Year	The volume logged illegally thousand m <sup>3</sup>	Percentage of the total volume logged
Belarus	2000	18.5	0.14%
Czech Republic	2001	112.9	<1%
Hungary	2003	28.2	<1%
Slovakia	2002	62.4	~1%
Ukraine	2003	83.8	<1%

## 4.1.2.3. The Balkan Region

Estimates on the scale of illegal logging in the Balkan Region (Table 7) can be found in country reports prepared for UNECE/FAO Workshop. It has to be mentioned here that Bosnia and Herzegovina has not provided its country report for, and no estimates have been given in Albania's one.

Table 7. Illegal logging estimates from country reports presented in UNECE/FAO Workshop, 16-17 September 2004, in Geneva, Switzerland.

Country	Year	Illegally harvested volume (thousand m <sup>3</sup> )	Percentage of the total logging
Bulgaria	2003	22.2	<1% (10-25% unofficially)
Croatia	2003	~20	<1%
Republic of Macedonia	2003	4.9	<1% (25-30% unofficially)
Romania	2003	80.8	<1%
Serbia	2003	12 (in the state owned forests)	1-5% in the state owned forests, >50% in private forests
Slovenia	2003	53.6 (in the state owned forests)	1.8% in the state owned forests, ~50% in private forests

Estimates on the scale of illegal logging in Albania, Bulgaria, Romania and Slovenia can also be found in other sources (see Table 8).

Table 8. Illegal logging as the percentage of the total volume harvested in the Balkan Region Countries, in 2000.

	Illegal logging in the total volume harvested (%), in 2000
Albania	40
Bulgaria	4
Romania	1
Slovenia	4

Source: Bouriaud (submitted)

Albania is the country where high level of interest is raised in the context of illegal logging which is not caused there by any particular industrial sector, and this phenomenon is stimulated by demand from multiple sectors, including timber and non-timber prod-



ucts, wood processing industries, construction industry, fuel wood consumption by the public service entities, the “primitive” limestone industry, etc. (ACER 2001). It is assumed that in 2000, more than 190,000 m<sup>3</sup> fuelwood was logged illegally to satisfy the rural household needs. The total quantity of wood material logged illegally (fuelwood plus timber) in 2000 could be even larger than 190 thousand m<sup>3</sup>, while official statistics of DGFP for the same time period report only 72,600 m<sup>3</sup>. 91% of the interviewed have ranked the personal needs (heating, construction, etc.) as an important motive which underpins the illegal logging.

For the last years, illegal logging has significantly increased in Bulgaria (World Bank 2004). The volume of illegal extraction is not well known there, nor is the involvement of the local population in it. The estimates available on the annual volume of illegally harvested volume range from (officially given figure of) 41,600 m<sup>3</sup> in 2001, up-to several million m<sup>3</sup> per annum (World Bank 2004). A part of illegally extracted wood finds its way to the commercial markets. The World Bank’s study estimates that 5 to 15 per cent of the timber traded in Bulgaria is illegal. The level of illegal logging in Bulgaria as estimated by the WWF (2004a) is 45%.

Illegal logging in Romania has a strong correlation to rural poverty (Bouriaud submitted). The volume of illegally harvested timber was 80,853.4 m<sup>3</sup> in 2003 (The Romsilva National Forest Administration 2004).

According to the country reports, in the most of the Balkan Region Countries, the illegal logging is stimulated by both the poverty in rural areas and the commercial interests. Trade in illegally logged material is below 5% in each of these countries.

#### 4.1.2.4. The Russian Federation (European regions)

Due to the large size of its forest resources, the Russian Federation is of eminent importance for the European forest sector. Any condition affecting the price or volume of supply there has possible impacts on all of Europe. The conservation NGOs have for long time shown their interest in forestry activities in the Russian Federation and also published consequently a host of information on the issue of illegal logging in the national context. The publicly available estimates on illegal logging from different sources are presented in this study. Also the methods employed to arrive at these estimates are reported, where available.

##### 4.1.2.4.1. Official estimates

The Ministry of Natural Resources of the Russian Federation estimates illegal logging as the share of officially registered harvests done in violation of forest regulations. Due to the fact that – as in all areas of crime – not all occurring cases are reported or become evident to the authorities, these figures may not reflect the full level of illegal activities. This may be the cause of factors such like lacking personnel and/or financial resources of the executive authorities as well as the potential level of corruption in the public sector. According to the official figures, illegal harvesting constitutes around ninety percent of all forest-related abuses.

According to the Ministry of Natural Resources, the volume of illegally harvested timber was 941,500 m<sup>3</sup> (~0.7% of total logging) in 2001, and 716,191 m<sup>3</sup> (~0.6%) in 2002. Economic loss for the State was estimated at 100 million USD in 2001, and 183.3 million USD in 2002.

The official figures on trends of illegal logging in the Russian Federation between 1996 and 2001 show that the highest number of the illegal logging cases was noted from 1999 to 2001, and in 2002 their number decreased. However, the volume of illegally harvested timber increased by 2001, and its decline was noted in 2002. Figure 6 below shows that even if the number of breaches is decreasing the volume of illegally logged timber still remains high.

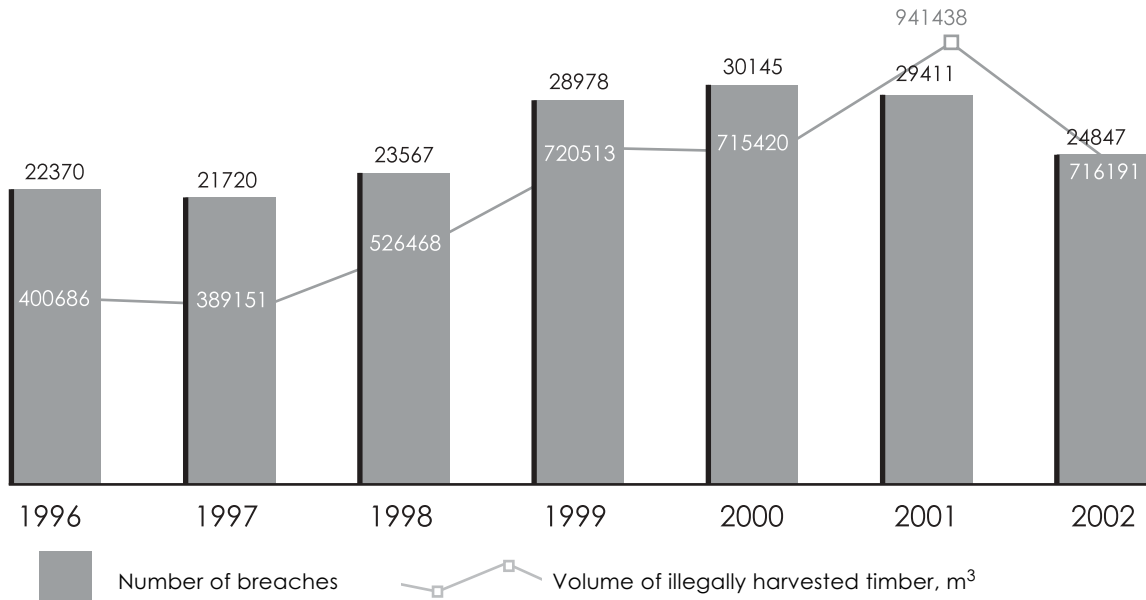


Figure 6. Illegal logging cases (number of breaches) and illegally harvested timber volume (m<sup>3</sup>) in the Russian Federation.

Source: Ministry of Natural Resources of the Russian Federation

The economic loss for the State as caused by illegal logging has been increasing in line with the volume of timber harvested illegally. There is a remarkable increase of economic loss in 2001 and 2002 (see Figure 7). In 2002, the volume of illegally logged timber is almost at the same level likewise in 2000, but the economic loss is more than 11 times higher.

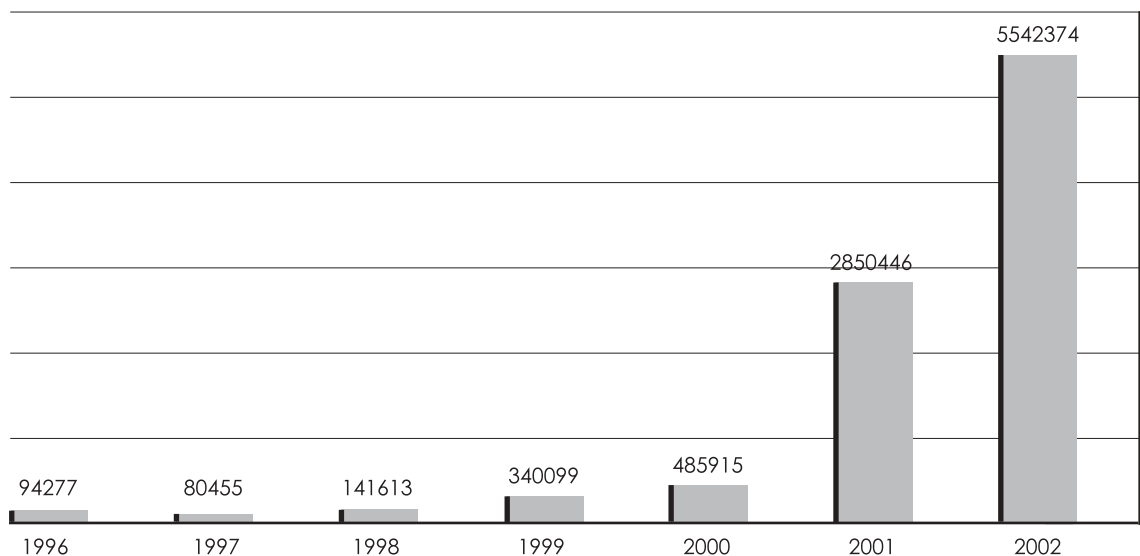


Figure 7. Economic loss, in thousand roubles, caused by illegal logging in the Russian Federation.

Source: Ministry of Natural Resources of the Russian Federation

The main reason for the extreme change depicted in Figure 7 can be explained with changes in legislation for the assessment of damages caused by violations of forestry legislation. The Resolution No. 67 of Government of the Russian Federation (of 5 February 1992) was replaced with Resolution No. 388 (of 21 May 2001). According to Resolution No. 67, the economic loss was estimated at ten times as much as the stumpage price, and where that occurred in protected areas that figure would be doubled. According to the current Resolution No. 388, the economic loss is estimated at 50 times as much as the stumpage price and, the resultant figure has to be multiplied by 2 to 5 where illegal logging has been carried out in protected areas.

According to the most recent data on illegal logging in Russia available from the country report presented in UNECE/FAO Workshop, illegal logging is estimated at 5 – 10% of the total logging (Bolshakov 2004).

Following official figures, 0.4% of timber is harvested, on average, in violation of forestry legislation. For various regions (Oblast) the figure varies between 0.2 and 1.2% in the European part of Russia. According to the Ministry of Natural Resources, the most difficult situation with illegal logging in Northwest Russia in 2002 was in Leningradskaya Oblast (38.9 thousand m<sup>3</sup>), Arkhangelskaya Oblast (20 thousand m<sup>3</sup>), and Vologdskaya Oblast (19.8 thousand m<sup>3</sup>). If these figures are considered the share of the total logging in each Oblast, those are 0.9%, 0.2% and 0.3%, respectively, that makes them merely insignificant.

#### 4.1.2.4.2. Estimates by Greenpeace and WWF

Greenpeace estimates the share of illegal logging in the Russian Federation at 20% of the total volume harvested. Morozov (2000) gives estimates in his report titled Survey of illegal forest felling activities in Russia. The 20% figure describes illegal logging in all territory of the Russian Federation. There is no distinction shown between particular regions. However, that report states also that in certain regions like the Caucasian and the Far East, the share of illegal logging can reach even 50-70%. The cited report does not present any specific method by which these estimates have been calculated. It is thus based mainly on the estimates provided by experts while based on their experience and knowledge of the circumstances.

The major information sources on illegal logging in North Western Russia are papers published by the WWF. Estimates on illegal logging given by the WWF vary from 10% up-to 50%, and in some cases even 70% or 100%. Figures in the range of 50% or 70% are provided in the context of illegal logging in the Russian Far East. 100% is given for the in Caucasian Region, where red listed species like Chestnut are logged (WWF 2004c). Illegal logging in North Western Russia is estimated between 25% and 30%. The most recent figures given are 36% (Lopina et al. 2003) and 27% (Brukhanov et al. 2003).

The 36% estimate (Lopina et al. 2003) was produced comparing production (and import) and consumption (including export) data for the region. The GOSKOMSTAT State Statistics Committee was the major data source.

According to that study, the difference between the official volume data on industrial roundwood harvested or imported and its consumption or export indicates 11.2 million m<sup>3</sup> wood of unidentified origin. The WWF Russia concludes from this figure that 36% of the legal production “may be obtained from illegally harvested wood”.

Before that study was published, the figure most frequently given by WWF was 25 – 30%. Other figures mentioned by WWF do not include any detailed calculations; those would be based on expert estimates or on the results of the local or regional inspections done by themselves or by Greenpeace Russia.

The figures presented in that report were subsequently discussed by experts in Russia and Finland. Amongst others, the potential other reasons for the discrepancy in statistical data were also highlighted, such as the fact that the data used only the record on the harvest activities above certain minimum levels. Further the more refined studies using this material balance approach were called for.

At the international conference “North West Russian Forest Sector towards Responsible Business and Sustainable Forest Management”<sup>19</sup> A. Kotlobay from WWF Russia presented a material balance calculations for the Arkhangelskaya and Vologdskaya Oblasts, showing a misbalance of 1,297,000 m<sup>3</sup> in the Vologdskaya Oblast and 5,205,900 m<sup>3</sup> in the Arkhangelskaya Oblast. These figures respectively correspond to 15.7% and 26.8% of timber from unidentified origin in relation to the overall consumed material, and are considered to indicate the level of illegal harvesting in these regions.

The WWF Russia gives estimates of economic loss of 1 billion USD (mostly unpaid taxes) for the State as caused through illegal logging, and refers to the Federal Service of Fiscal Police of the Russian Federation (Lopina et al. 2003; WWF 2004c). The basis for this estimate has not been specified.

#### 4.1.2.4.3 Estimates of illegal export

Estimates on illegal timber export vary between 10 and 35%. The average figure of all exports to EU countries is around 20%. The main source of information is a study by Toyne et al. (2002) published by the WWF International.

#### 4.1.2.5. Other European Countries

As it was discussed (in Chapter 2) above, illegal logging is not considered a problem in other European countries; however, these countries are involved in trade in illegally logged timber, hence, an integrated part of the problem in question. The estimates published by NGOs claim that around 20 - 25% of Russian timber imported into Denmark, Finland and Sweden is of illegal origin (Toyne et al. 2002).

In UNECE/FAO Workshop, the country reports for Austria, Denmark, Finland, France, Germany, Spain, Greece, Italy, Netherlands Norway, Sweden, Switzerland and the United Kingdom were presented. Also, the country reports for Luxembourg and Ireland are available online. In all above mentioned countries, the illegal logging is estimated below 1% of the total logging, and the trade in illegally logged timber as less than 5%. There are no country reports for Belgium, Iceland and Portugal.

### 4.1.3. Conclusions

There are remarkable differences between the figures given by various organisations. Table 9 below shows various estimates of illegal logging given by the Governmental organisations, NGOs and others for selected European countries.

<sup>19</sup>4–5 March 2004, Arkhangelsk.

Table 9. Illegal logging estimates for selected European countries given by various organisations. The percentage values refer to the total share of timber harvest in a country. For estimates using the "production-consumption-method" (i.e. mostly those by WWF), this also takes imports from other countries (or regions) into account, assuming legitimacy of timber imported in its country of origin.

Country	Estimates of illegal logging, %	
	Source: Governmental organisations	Source: NGOs and others
Bulgaria	<1% in 2003 (Ivanov 2004)	10–25% unofficially (Ivanov 2004) 45% (WWF 2004a)
Estonia	1% in 2003 (Republic of Estonia 2004)	40–50% (Estonian Green Movement)
Latvia	<1% in 2003 (State Forest Service)	15–20% (WWF Latvia 2003a)
Republic of Macedonia	<1% in 2003 (Nikolov 2004)	25–30% unofficially (Nikolov 2004)
The Russian Federation	0,6% in 2002 (Ministry of Natural Resources of the Russian Federation) 5–10% (Bolshakov 2004)	20% (Greenpeace) 27% WWF (Brukhanov et al. 2003) 36% WWF (Lopina et al. 2003)
Slovakia	~1% in 2002 (Moravcik 2004)	10–15 % (WWF 2004a)

The differences in available estimates indicate application of various estimation methods for this comparison. For example, official statistics estimate illegal logging in Bulgaria, Russian Federation and Slovakia below 1% or around 1% that represents officially detected and reported crimes. At the same time, the WWF estimates show much higher figures. It is known that WWF applies comparison of production and consumption statistics for NW Russia (Lopina et al. 2003), and also for Bulgaria and Slovakia (WWF 2004a).

#### 4.2. Assessment of the consequences

The following sections have been compiled using – where available – the evaluations done by NGOs, official authorities or scientific studies. Some specific country examples are highlighted, because they deal with the countries which are considered to be of special interest in the context of this study. Where possible, the results from different evaluations done for the same country by various institutions have been compared.

Sustainable use of wood and other forest products and functions is an essential element of a commonly accepted principle of sustainable forest management. Sustainable forest management meets the social, economic, ecological, cultural and spiritual human needs. Illegal forest practices are unsustainable, as they do not provide for optimal combinations of goods and services to nations and local populations. The issue of illegal logging includes not only the volume of illegally harvested timber and the economic loss in state revenues, but also it plays a role in deforestation, decreases the value of forests stands, and diminishes the social and cultural values of forests.

At the first sight, the amount of illegally harvested timber is seemingly insignificant. In most European countries the officially registered volumes of illegal harvested timber are less than one percent of the total volume harvested. At such a low rate it does not have any significant impact on forest biodiversity and forest regeneration, unless illegal logging takes place in protected forest area. The total harvested volume often remains lower than the annual allowable cut (Bouriaud and Niskanen 2003). Ahas (1998) wrote about Estonia: "It can be concluded that the current level of harvesting, or even substantially higher levels, are very consistent with meeting the Estonian forest management objectives of supplying non-consumptive use benefits to the economy".

### 4.2.1. Environmental consequences

From environmental perspective, illegal logging reduces biodiversity or leads to depletion of forest resources, mainly because any existing legislation aimed at protecting these values (e.g. protected species, protected habitats, temporal or spatial exclusion criteria for logging activities) will not be taken into account in the context of illegal activities.

For similar reasons, it also may have higher impacts on soil erosion and watershed destruction. Forest fragmentation contributes to extinction of large mammals and specific habitats for different plant and animal species. In Albania, habitat losses of common and easily cultivated wild plants due to legal and illegal logging and unsustainable harvesting practices (Leigh 2003) are reported. Further, it has socio-economic impacts because thousands of Albanian villagers still depend on herbs as the primary source of their income. In the municipalities of Jablanica and Konjic (Bosnia and Herzegovina) illegal cutting has destroyed the last remaining examples of the endangered Munika black pine and Tise (Clancy 2004). The authorities claimed those were “sanitary” cuts meant to curb the threat of spreading disease, but there was never a confirmation of this by the Ministry of Forestry and Agriculture<sup>20</sup>.

Deforestation due to legal and illegal logging is one of the major environmental problems in peri-urban and easily accessible rural areas. Illegal logging usually first takes place on the roadsides that are easy accessible with harvesting machinery. Illegal logging first results in degradation of ecologically most valuable stands (Lopina et al. 2003). As a result, a considerable part of high-quality timber stands declines, while the share of low-quality stands increases; also the amount of commercially valuable trees comes down. Illegal logging often affect protected forests and forest reserves (Bouriaud and Niskanen 2003). Logging in natural forests is not illegal in most countries, but it nevertheless is subject to public debate (Gelder et al. 2003).

Environmental damage of illegal logging activities is mostly named and discussed by non-governmental organisations. However, the majority of Latvian experts interviewed by WWF Latvia (2003) do not see any environmental damages to forest as a very serious issue when compared to economic and social ones. In Russia, most of illegal logging takes place in easily accessible areas and close to the markets. Those are small areas and it cannot have any significant impact on the ecological situation in the country (Bolshakov 2004).

Trade in illegally logged timber sometimes affects protected timber species. Trade in protected timber species is mainly an issue concerning tropical timber species and species listed under CITES. For example, the new Draft “Forest Code of the Russian Federation” (text by 13 March 2004 on [www.legislature.ru](http://www.legislature.ru)) prohibits cutting of many tree species, e.g. Carelian birch, chestnut and others, including tree species protected by the laws of the Russian Federation and the Regional laws. In the context with planned “legality licenses” (e.g. under the EU-FLEGT-Action Plan), the opportunities for closer cooperation with CITES are being discussed. Especially the question is how far CITES-licenses and FLEGT-licenses could be co-ordinated (e.g. by waiving the requirement for one of them, if the other is required and presented), allowing for a simplification of administrative procedures are of relevance here (Brack 2004).

It is evident that illegal logging in protected areas, such as nature conservation areas or other areas excluded from logging for the purpose of nature and biodiversity conservation, such as riparian

<sup>20</sup>Sanitary or salvage cuttings are often criticised by NGOs, as for operations classified as such in many countries normal legal requirements, especially regarding nature conservation (e.g. logging in protected areas), are not applicable. It is claimed that sanitary or salvage cuts are declared too generously on the side of the forest authorities. With the process of declaration considered doubtful by NGOs this then results also in claims of the operations being illegal, as the administrative act entitling them is considered to be flawed.

buffer zones, is detrimental to the very purpose of this protection. As can be seen from the information on the situation in various European Countries, cutting in protected areas is currently not seen as the major form of illegal logging occurring in Europe. Yet given the specific value of protection areas and the fact that some of them are considered to be the last examples of rare habitats and/or endangered species, any activity contravening these protection goals has larger detrimental impacts than the mere size of the operation, as measured in the area, or as the volume might suggest, if compared to the general level of logging operations in a country or Europe-wide. The lack of available information on the specific value of such losses suggests the need for further research into the topic, allowing for a more precise evaluation of this specific form of damage.

#### 4.2.2. Estimating the economic impact

It is undeniable that illegal logging has economic impacts. However, there are no comprehensive assessments of the effects of illegal acts on the forest sector economy (Contreras-Hermosilla 2002b). The World Bank has estimated that illegal logging causes damage between 10-15 billion \$ every year. This amount of money is calculated as uncollected taxes and royalties from timber harvesting, trade and related activities around the world.

##### 4.2.2.1. Official estimates

Estimates of economic loss are available only for a few European Countries. The economic loss in most cases is estimated as a gross value of recorded damage, the total value of fines and penalties, or the value of recorded economic and environmental damage. These estimates can be based on the timber stumpage price where a correction coefficient is applied. The State authorities give such estimates, and in most cases they do not include any estimates of uncollected taxes and royalties. Table 8 below gives overview of the estimates available on the economic loss.

Table 8. Economic loss for selected countries.

Country	Economic loss (in)	Time period	Source
Albania	1.8 million €	1997	ACER 2001
Czech Republic	34 million €	Per year	BfU 2003a
Estonia	577 thousand €	2003	Ministry of Environment
Latvia	3.3 million €	2003	State Forest Service
Lithuania	333 thousand €	2003	Ministry of Environment
Moldova	120 thousand €	1997	UNECE 1998
Poland	1 million €	1998	BfU 2003a
Russia	183.3 million US \$	2002	Ministry of Natural Resources of the Russian Federation

##### 4.2.2.2. Estimates by NGOs

Somewhat higher estimates on the economic loss for the States as caused by illegal logging activities are provided by NGO's. The WWF (Lopina et al. 2003) writes that about 1 billion USD is lost in the forest industry every year because of law violations. According to the State Forest Service of Latvia, the losses caused by illegal harvesting were 3.3 million EUR in 2003. According to other estimates, social taxes not paid by the forest sector create another loss, which varies from 6 to 23 million EUR (WWF Latvia 2003a). As a significant

issue, the experts (WWF Latvia 2003a) interviewed mentioned also the income tax not paid and the value added tax fraud, but no estimates have been provided on this issue.

#### 4.2.2.3. The impacts on the markets

The current increase in illegal logging is attributed to the high demand for cheap wood on the consumer markets in the European Union, Japan, China and the United States, where it is processed into final products (BfU 2003b). From economical point of view, the illegal logging negatively influences forest industry market conditions as it increases forest management and transaction costs and leads to market failures (Bouriaud and Niskanen 2003). There are illegal companies operating in the forestry sector. They benefit from cost advantages and can offer higher prices for forest resources and sell forest products at the prices lower than those of legal companies (WWF Latvia 2003a). The marginal rent of agents operating illegal logging is also represented by the stumpage prices they do not pay (Bouriaud and Niskanen 2003). In the Latvian case, the advantage is about 15–20%, that allows illegal companies to develop projects (e.g. sawmills) that are not economically sound (WWF Latvia 2003a). According to information from the State Audit Office, Republic of Latvia, there are 1,358 sawmills operating in Latvia, but there is lack of evidence on legal activity of 600. The sawmill capacity many times exceeds the forest resources legally available in Latvia (Auziņš 2004). Market demand for timber is much higher than that available legally; the prices and competition are high and those who cannot or do not want to compete on legal market are looking for illegal methods (Apine 2004).

Illegal logging increases timber supply into the markets and lowers the price of timber. This may have impact on the financial return to the forest owners and also forest industries. On the other hand, though lower raw material prices increase the competitiveness of national industries and consumers may benefit as a result of lower prices (Tacconi et al. 2003).

Bouriaud and Niskanen (2003) wrote that utilisation of forest resources is more costly in the presence of illegal logging than without it. Illegal logging results in direct costs, namely the loss of economical and/or ecological value of forests. Furthermore, the opportunity costs are created, as the resources used to prevent illegal logging would otherwise be available to be invested for economic gains. Lastly, the presence of illegal activities also increases transaction costs, as they increase the need for specification of harvesting rights as well as the costs related to planned systems to ensure the legality of traded material (e.g. intended verification and labelling systems).

#### 4.2.3. Social impacts

Illegal logging and trade in illegally logged timber affects not only the environment and economics, but it also has great impact on society and social functions. Forests have material (timber, non-wood products) and non-material (recreation, health) social and cultural values.

Damages in social sector relate mainly to non-payments of taxes and social security payments, as well as to the fact that employees in illegal companies do not benefit from any social guarantees (WWF Latvia 2003a). It is also assumed that the companies active in illegal logging also not enforce any labour safety legislation that results in a higher risk of injuries, with the added social problem of these workers not having any insurance cover for health care costs.

The large scale job losses are assumed as the timber supplies run out through unsustainable rates of illegal harvest (Callister 1999). Especially for large scale illegal logging activities the involve-



ment of organised crime is assumed. Benefits from large scale illegal logging and related activities often concentrate in hands of a small number of individuals, who tend to transfer the illegally gained capital to offshore accounts, thus further reducing possible tax revenues. Such capital is also not available for investments in the national forest sector, be it for improved conservation measures, be it for improving the long-term sustainability of operations through investments in infrastructure, such as roads and other transport infrastructure. There are statements also from the governmental sources that organised crime structures are operating in illegal logging in some European Countries. For example, Russian authorities believe that increasing volume of illegally harvested timber per theft proves the existence of organised groups of forest violators operating in forestry (Ministry of Natural Resources of the Russian Federation, 2003). Also the effectiveness of crime disclosure by the State forest authorities has decreased from 90% in 1992 to 41.4% in 2002, while organised crime groups get better equipment for harvesting, transport, communication and defence. In many countries the precedents are known when organised crime groups have used threats and violence against forest guards to avoid prosecution and penalties.

Illegal logging causes damage to the forest property. In Central and East European Countries, illegal logging mostly takes place in private forests or in the forests with unclear owner (forests under restitution). Local analysis in Romania showed that private owners feel threatened by the timber robbery and that this menace was one important factor which explained the private owners' behaviour on cutting issue (Bouriaud, submitted). It creates the situation "if I will not cut my timber, the others will steal it". Bouriaud (submitted) writes about the situation created by forest laws in Romania and Latvia, that indifferently who really made the illegal act, the owner shall be held liable.

Forest and forestry is one of the main pillars of sustainable rural development. Forest sector in many countries is a source of direct and indirect employment. It creates potentially new workplaces and income opportunities mainly in rural areas. New employment opportunities are created through legal and illegal forest activities. Many people, including the poor and unemployed, may derive an income from illegal forest activities if they do not have any other legal possibilities. In the case of stolen timber, as far as the volume is kept under control, and reported as "unknown origin", the situation benefits to all involved stakeholders: rural inhabitants, forest guards, local sawmills (Bouriaud, submitted). The damage in terms of lost stumpage fees and taxes is externalised to the rest of society.

There are different actors involved in illegal logging activities in rural areas. In Bulgaria, eight groups of actors in commercially oriented illegal logging have been identified (World Bank 2004). The main groups are ethnic minorities, with the public opinion identifying members of the Roma ethnic group as the main perpetrators, as well as the poor and unemployed people, in general. Thus generally, poverty seems to be the main driving factor behind illegal logging activities in Romania. The motivation to commit an illegal act is based on the opportunity to obtain wood at a very low cost and to make a significant profit. The World Bank study (2004) shows that limitation of illegal logging will affect in an unfavourable manner the specified groups. Full restriction on illegal logging for personal consumption may lead to complete loss of income for some individuals involved in such activities.

#### **4.2.4. Impacts on the forest sector and its image**

Illegal activities lower the propensity to invest in long term options. In an environment where the rule of law is weak the investment risks tend to be higher. When illegal opportunities are easily accessible, they render a higher profit and therefore are preferred by entrepreneurs (Con-

treras-Hermosilla 2002b). Weak legal framework and ongoing illegal forest activities hinder investments in sustainable forest management, and the international technical and financial assistance is reduced. Some argue that international donors tend to shy away forest projects and programmes in the countries where law enforcement is weak (Contreras-Hermosilla 2002b).

Illegal logging and trade in illegally logged timber creates a bad image/reputation of the forestry sector on all levels – local, national and international. Local communities in the rural areas perceive the forest sector as “the bad people”, as they have more money. The communities presume that this money is received illegally. Mass media interest and some court cases have created a negative publicity for the forest sector in Estonia (WWF Latvia 2003a). Illegal logging also affects international reputation of the forest sector of some countries in a negative way and decrease competitiveness of their forest products on international markets.

Due to the high level of international interaction in the forest sector today, illegal logging is also likely to damage the forest sector’s image globally. In some markets (e.g. public or commercial procurement) the result may be that in the end the decision is made for a “safe” substitution product, as to date there is no debate on e.g. illegal steel, concrete, fibre-glass, carpeting or plastics.

## 5. Summary note of the MCPFE Workshop

The MCPFE in cooperation with UNECE/FAO, European Forest Institute, the European Commission and the Pan European Biological and Landscape Diversity Strategy / Environment for Europe (PEBLDS/EfE), as well as the Government of Spain organized a workshop on “Combating illegal harvesting of forest products and related trade in Europe”, held on 3-4 2005, Madrid, Spain.

The workshop objectives were:

- to discuss and assess the different forms of and causes for illegal logging in Europe;
- to present and discuss successful examples of combating (forest law enforcement, enforcement of license conditions, trade measures) or avoiding (adaptation of legislation for small scale use) illegal logging;
- to discuss a common understanding of illegal logging in the context of MCPFE;
- to outline the coordination in efforts between the MCPFE – EU-FLEGT – and ENA FLEG Ministerial Conference.

The workshop was attended by 25 government-nominated experts, from: Austria, Belgium, Bulgaria, Czech Republic, Denmark, the European Community, Finland, France, Germany, Italy, Latvia, Netherlands, Norway, Poland, Romania, Russian Federation, Spain, Sweden, and the United Kingdom. Representatives of the following organizations, private sector and agencies also participated: ASPA-PEL, CEPI, CERN&UN/CEFACT, COSE, EFI, GREENPEACE International, Metsaliitto Wood Supply, PEFC España, Rainforest Alliance, Spanish Association of Timber Importers, UNECE/FAO, UNEP, USSE, the World Bank and WWF.

### 5.1. The issues raised at the workshop – outcome of the Working Groups

The following presentations were delivered: The scientific analysis of the issues of illegal logging and related trade of timber and other forest products in Europe (*Dr. Andreas Ottitsch, European Forest Institute*), Global overview of illegal logging (*Dr. Duncan Brack, Royal Institute of International Affairs, UK*), EU FLEGT Action Plan and challenges for the MCPFE region (*Mr. John Bazill, European Commission*), Europe and Northern Asia FLEG Ministerial Conference (*Mr. Gerhard Dieterle, World Bank*), Industry Best Practices to Ensure Legality of Wood (*Mr. Michael Tarasov, Metsaliitto Wood Supply*), Management and Enforcement of the CITES timber trade in Europe (*Prof. Giuseppe Frenguelli, University of Perugia*), How mastery of the international supply chain can help combat illegal logging (*Mr. Mike Doran, European Organization for Nuclear Research CERN/UN/CEFACT, Switzerland*), NGOs view on the problem of illegal logging and trade (*Mr. Sebastien Risso, Greenpeace*).

During the session on the countries' experience, Germany (*Ms. Stefanie von Scheliha*), Denmark (*Mr. Christian Lundmark Jensen*) and Bulgaria (*Ms. Dolores Belorechka*) presented their ongoing work and achievements in combating illegal logging and related trade. The results of the country reports on illegal logging – the outcome of the UNECE/FAO workshop that was held in Geneva (September, 2004) were presented by Mr. Christopher Prins of the UNECE/FAO Trade Development and Timber Division.

Full text of the presentations is available at the MCPFE website: [www.mcpfe.org](http://www.mcpfe.org)

The following issues were discussed by the Working Groups and during plenary sessions:

- **The common understanding of illegal logging:** Sovereignty – Legislation of each country is the basis for elaborating definitions. From the forest trade and commercial point of view, definition

of illegal logging should be practical and enforceable, as well as related to forest operations and include economic, social, and environmental issues. Addressed at a policy level a common understanding of illegal logging should also cover a broader set of issues related to e.g. corruption in concession allocation, company tax payments. It is important to clarify responsibilities of different actors (the State, private sector, civil society, etc.).

- **The forms of and causes for illegal logging and measures to overcome the problem:** Poverty is an important cause and motivator for activities by local populations. Profit and (international) markets demand motivate for "industrial level" illegal activities. All (producer and consumer) countries are responsible for finding measures to combat illegal logging and related trade (e.g. reform of legislation, effective penalties, transparent bidding for concessions, restricted allocation of processing licences, enhanced enforcement, transparency, procurement policies, legislation to require evidence of legality at point of import (EU FLEGT Action Plan), money laundering provisions, etc.).
- **The global trade and related measures:** Development of international traceability and licensing schemes to exclude illegal timber and timber products from international markets, based on common principles and minimum requirements should be promoted. The options available to the MCPFE countries for prohibiting or criminalizing the importation of illegal timber and timber products should be considered. The import documents to track the chain of custody should be standardized. The lessons from other sectors, particularly the pulp and paper sector should be learned. The adoption of public procurement policies should be encouraged. The possibilities for harmonizing approaches to requirements for legality and sustainability should be considered. Relevant information on procurement requirements should be accessible to traders. Acceptable forms of documentation should be developed. The public-private partnerships should be encouraged in order to help importing companies to work with their suppliers in producer countries to ensure that illegal products are excluded from their supply chains. Working toward meeting the requirements of licensing and certification schemes is recommended.
- **The information needs to fight illegal logging and related trade:** There are gaps in available information (quantitative and qualitative) about the size of illegal logging and related trade and the effectiveness of policies in combating this problem. There is a need to elaborate the relevant methods for evaluation and estimation of the size of illegal logging and related trade (reference: Joint FAO/ECE Working Party on Forest Economics and Statistics). A better coordination and co-operation with IUFRO, Chatham House and other organizations is needed in order to search for effective ways of information flow. Information on implementation of the previous MCPFE commitments on illegal logging should be disseminated. A review of ongoing initiatives could be reported to the MCPFE Warsaw Conference. It is also important to consider the issue of illegal logging in the context of Sustainable Forest Management (legal and sustainable – best option). Sharing information on suspicious activities related to illegal timber trade should be encouraged. Monitoring and investigating these activities by timber trade associations, banks, Financial Intelligence Units, appropriate enforcement agencies, etc., are recommended.

## 5.2. Possible cooperation and coordination between the MCPFE and ENA/FLEG

The session was chaired by Mr. Jose Maria Solano Lopez (Spain). Two major questions were raised at the session:

1. What kind of "workshop message" should be presented for consideration at the ENA/FLEG Ministerial Meeting in St. Petersburg?

2. What would be the role of the MCPFE, if there was a follow up of the ENA/FLEG Ministerial Meeting?

The participants agreed that the MCPFE process should be presented at the ENA/FLEG Ministerial Meeting in St. Petersburg as the European forest policy dialogue, held at a ministerial level formulating and coordinating forest policy in the region.

The following major items, which could be reflected in the documents at the ENA/FLEG Ministerial Meeting in St. Petersburg, were raised during the discussion:

- Launched in 1990, the Ministerial Conference on the Protection of Forests in Europe (MCPFE) is a political platform for the transparent dialogue on European forest issues and involves 44<sup>21</sup> European countries, the European Community, the countries worldwide, as well as many governmental and non-governmental international organizations;
- Four Ministerial Conferences took place up to date: Strasburg (1990), Helsinki (1993), Lisbon (1998) and Vienna (2003);
- The MCPFE provides a comprehensive framework for sustainable forest management (SFM) in Europe by 4 Ministerial Declarations and 17 Resolutions;
- The MCPFE process contributes to implementation of forest related decisions of the United Nation Conference on Environment and Development (UNCED) and the follow-up processes within the Intergovernmental Panel on Forests (IPF) and the Intergovernmental Forum on Forests (IFF). The MCPFE participates in the work of the United Nations Forum on Forests (UNFF);
- Working in cooperation with other international organizations, such as: UNECE, PEBLDS, EFI, etc., the MCPFE is more than a political process: it is a well functioning platform for collaborative actions and policy development throughout Europe;
- Several tools for SFM developed by the MCPFE contribute to and complement the implementation of SFM at the Pan-European level. These are, among others: the MCPFE Work Programme, the Framework for Co-operation between MCPFE and Environment for Europe/PEBLDS, the Pan-European Approach to National Forest Programmes, the Pan-European Criteria & Indicators for SFM, the Pan-European Operational Level Guidelines for SFM, the Assessment Guidelines for Protected and Protective Forest and Other Wooded Land in Europe, etc.;
- The participants of the workshop stressed the importance of the relationship at the European level between the forest sector, through the MCPFE, and the biodiversity sector, through the PEBLDS, and pointed out that the ENA/FLEG process should also advocate the integration of elements of the Ministerial Declaration in the implementation of the Expanded Programme of Work on Forest Biological Diversity of the Convention on Biological Diversity;
- The European Ministers responsible for forests in Europe identified illegal harvesting as an important issue at the 4<sup>th</sup> Ministerial Conference held in Vienna (2003). Forty MCPFE Signatory States and the European Community committed themselves to take effective measures to promote good governance and forest law enforcement, and to combat illegal harvesting of forest products and related trade, as well as to contribute to international efforts to this end. The MCPFE Work Programme on the follow-up of the 4<sup>th</sup> Ministerial Conference is the practical tool to implement the above commitments;

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<sup>21</sup> in 2007: 46 European countries.

- Two actions have already been undertaken by the MCPFE and its partners in order to implement the ministerial commitments on illegal logging and related trade:
  - Scientific analysis of information on illegal harvesting of forest products, and related trade at pan-European level;
  - Hereby “Workshop on combating illegal harvesting of forest products and related trade in Europe”, held on 3-4 November 2005 (Madrid, Spain).
- The 5<sup>th</sup> Ministerial Conference will be convened in Warsaw and is tentatively scheduled for the year 2007, and the issue of combating illegal logging might be also considered a potential subject area to be addressed at this Conference. In order to avoid duplication of work with other processes and initiatives, it is important to communicate the exact date of the upcoming MCPFE Ministerial Conference with the ENA/FLEG Process.

The participants of the workshop suggested that the countries participating in the two processes should be encouraged to facilitate mutual support of the MCPFE and ENA/FLEG by exchanging information and communicating results.

The participants of the workshop also noted that joint implementation with a double political back-up by the MCPFE and ENA/FLEG of the commitments related to combating illegal logging and trade could be discussed as an option.

### 5.3. Workshop recommendations

The participants to the workshop provided a number of recommendations to be taken into consideration. The countries and international organizations were suggested to:

- Identify a definition of illegal logging by countries and the areas of their legislation applicable to combating illegal logging and related trade, taking into account the ongoing work in this field;
- Review the effectiveness of existing policies, institutions and voluntary instruments with respect to combat illegal logging and related trade and presenting the results of reviews to the Warsaw Ministerial Conference;
- Promote development of the wood tracking systems and schemes based on the common principles by countries with minimum requirements as essential in order to exclude illegal timber and timber products from international markets;
- Analyze by the MCPFE signatories the available options for prohibiting or criminalizing the importation and trade of illegally harvested timber as well as preventing corruption and money laundering;
- Draw on lessons from other sectors on the best practice from the supply chain management and chain of custody;
- Encourage the MCPFE signatories to develop public-private partnerships to work with suppliers in producer countries and with importers so as to exclude illegal timber products from supply chains.
- Promote cooperation of inter-agencies as well as public and private sectors to share information on suspicious activities related to the illegal logging and related trade; and encourage monitoring and investigation of these activities by timber trade associations, banks, Financial Intelligence Units, appropriate enforcement agencies, etc.;

- Address measures against illegal logging and related trade by removing the underlying causes;
- Integrate measures against illegal logging into rural development mechanisms with the aim to identify, promote and support alternative economic opportunities for poor forest dependent people in order to reduce illegal forest activities related to poverty;
- Improve forest law enforcement by capacity building measures;
- Ensure accessibility and transparency of information on management, concessions, conservation and other forest related issues;
- Agree on a framework of principles of combating illegal logging and related trade at the pan-European level;
- Suggest the MCPFE General Co-ordinating Committee and the Expert Level Meeting to address illegal logging and related trade in the Report on SFM in Europe (2007);
- Provide information on the implementation of the respective MCPFE commitments at the Warsaw Ministerial Conference by reporting on progress on combating illegal harvesting of forest products and related trade;
- Invite the Joint FAO/ECE Working Party on Forest Economics and Statistics to collect information on the extent of illegal logging and related trade and developing suitable methodology in cooperation with IUFRO, Royal Institute of International Affairs (UK), European Forest Institute and other relevant organizations;
- Consider illegal harvesting of forest products and related trade as a potential subject area for the MCPFE Warsaw Conference;
- Invite MCPFE, UNECE Timber Committee, FAO European Forestry Commission to facilitate the adoption of public procurement policies through exchange of information. Consider options by the countries for harmonized approaches to requirements for legality, sustainability, acceptable documentation and the provision of information on procurement requirements to traders.

The workshop participants agreed that the outputs of the workshop would be transmitted to the ENA/FLEG Ministerial Conference in order to maintain mutually beneficial cooperation between the MCPFE and ENA/FLEG, in particular with respect to implementation of the outcomes and commitments of the MCPFE and St. Petersburg Ministerial Conferences.

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<sup>22</sup>A considerable number of the references used for this study consist of documents available on the Internet, and unless otherwise mentioned, all the links listed here were active on the date of its submission (15 November 2004).



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