**WWF's Approach to Forest Conservation**

WWF's mission is to stop the degradation of the natural environment and to build a future in which humans live in harmony with nature, by:

- Conserving the world's biological diversity;
- Ensuring that the use of renewable natural resources is sustainable;
- Promoting the reduction of pollution and wasteful consumption.

The protection target is: **The establishment and maintenance of viable, representative networks of protected areas in the world’s threatened and most biologically significant forest regions by 2010.**

The forest management target is: **100 million hectares of certified forests by 2005 distributed in a balanced manner among regions, forest types and land tenure regimes.**

The forest restoration target is: **The undertaking by 2005 of at least twenty forest landscape restoration initiatives in the world’s threatened, deforested or degraded forest regions to enhance ecological integrity and human well-being.**

Particular attention will also be paid to issues that cut across targets, including threats (forest fires, illegal logging, climate change and conversion), policy issues (subsidies, trade barriers, investment flows) and opportunities (community forest management).

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Japan is the second largest importer of wood from Russia after China, accounting for 17% of the country export and worth 700 million USD per year. Export to Japan involves timber coming from Southern Siberia and the Russian Far East (RFE). Siberian forests consist primarily of typical boreal species – spruce, pine. Far Eastern forests have a boreal character in the north of the region and temperate hardwood oak and ash-tree forests in the south of the RFE.

The boreal forest of South Siberia and temperate forests of the Russian Far East are of global importance because of its unique biodiversity, as well as its huge storage capacity of carbon dioxide that mitigates climate change. However, a significant part of them face the threat of inappropriate management and illegal logging fuelled by increasing wood consumption in neighbouring countries: Japan, China and Republic of Korea – the principal importers of Siberian and Far East timber.

Japan and Russia are the members of the G8, and consequently are a part of negotiation process concerning illegal logging and responsible timber trade. Timber importing companies in Japan so far do not take a major interest in the origin of timber they buy and often seize the opportunity to profit by buying cheap and often illegally harvested timber. On the Russian side, the majority of timber companies are oriented toward raw timber export only. To profit as much as possible, they often use barbarous logging practices, such as high-grading assortment logging, which violate cutting technologies and are often related with illegal loggings.

In 2000-2001 WWF Russia conducted its own analysis of the status of and driving forces behind illegal logging in the southern part of the RFE, particularly the Primorsky region. The special study was conducted to identify timber trade chains to Japan and the ecological and social responsibility of timber traders. The main conclusions of these two studies related to the Russian-Japanese timber trade are presented below.
Threats to the unique biodiversity of the forests of the southern Russian Far East

Timber exports to Japan originate from the Far Eastern and Siberian forests. The RFE forests are included in the list of 200 ecoregions globally significant for the preservation of biological diversity on the Earth (WWF Global 200). The Russian Far East Global 200 Ecoregion is critical to the conservation of biodiversity on a global level, as it contains some of the richest and most unique temperate forests in the world. There are more than 2,800 vascular plant species, 40,000 types of insects, and about 600 vertebrate species. The RFE contains huge tracts of pristine forests with high potential for biodiversity conservation. These forests are virtually unique to Russia, since similar communities have been largely destroyed in China, Japan, and the Korean Peninsula. Siberian timber comes from forests neighbouring another globally important ecoregion – the Altai-Sayan forests.

Forests of the RFE are suffering from the considerable anthropogenic impact of logging and simultaneous fires. The primary threats to the RFE forests are inappropriate forest management with lack of environmental control that leads to huge forest fires and illegal logging. Due to intensive harvesting over the last decades, the share of mature and over-mature, mainly pristine forests of great ecological and commercial value has decreased from 75-90% to 45-50%! The structure of forestlands is shifting towards an increasing share of bushes and tree species of no commercial value. Most species of value have been over-harvested at various rates, leading to a significant transformation of pristine forests into second growth forests.

Extremely wasteful and destructive logging practices continue in the RFE by way of high grading throughout accessible stands and clear-cuts in the permafrost-covered areas. High grading, or “skimming,” when only 1-2 logs from every 10 felled trees are used, makes up the main volume of illegal logging as it pursues only first-grade commercial timber. Less valuable liquid timber is left in wildcat cutting areas. Such environmentally destructive and economically unsound practices result in diminishing the most valuable stands, undermining the economic and environmental potential of forests, invoking directly or creating conditions for forest fires, demolishing the soil-protective and water-protective capabilities of forests, and spoiling forest quality for a long period.

Until the beginning of the 1990s the problem of illegal logging in the RFE was not so great. It originated from the privatisation of the forest business, liberalization of the timber trade and weakening of State Forest State Service control over forest management. Under budgetary restrictions, the latter is often somehow involved in illegal logging under the umbrella of “sanitary” felling. According to various estimates, actual timber production in the RFE is 1.5-2 times higher than official data shows.
Official data and estimates for volumes of legally and illegally cut timber in the Primorsky region in the year 2000 (thousand m$^3$)

A – Volume of total logging;  
B – Volume of illegally cut timber according to regional administration data*;  
C – Volume of timber confiscated from illicit cutters according to Regional Interior Ministry data;  
D – Volume of illegally logged timber as estimated by Greenpeace;  
E – Volume of illegally logged timber as estimated by WWF

* Data relates only to so-called cutting without any legal permits, though the majority of illegal wood originates from legal operations.

Illegal logging and illegal trade: definitions and reasons

Illegal harvesting takes place in areas where wood is logged, transported, purchased, and sold on an illegal and uncontrolled basis. According to a decision by the Supreme Court of the Russian Federation, “Illegal harvesting shall be interpreted as harvesting of trees, shrubs, and lianas without a felling licence/order or by a felling licence/order issued in violation of existing harvesting regulations or by harvesting on wrong sites, beyond borders or above allowed volumes, of wrong species or trees, shrubs, and lianas prohibited for harvesting…”

Environmental problems of illegal harvesting are related to two main factors:

1) No forest payments for illegally harvested wood are submitted by a harvesting enterprise. Therefore, forest management units do not obtain enough means for realising forest management measures – the latter are not qualitatively carried out. In Russia, up to 20 million hectares of the 80 million hectares of total exploitable forest are not reforested properly. As a result, the species structure of the forests degrades, the relative part of high-quality timber stands decreases, the part of low-quality stands increases, the relative amount of commercially valuable trees decreases, et cetera.

2) Illegal harvesting results first of all in the degradation of the ecologically most valuable stands. Such species as the Siberian cedar pine, the Korean pine,
chestnut, oak, et cetera are the primary objects of illegal harvesting. Generally, these species constitute the most ecologically valuable stands, essential for maintenance of ecosystem functions, conservation of rare species, protection of biodiversity, et cetera.

Illegal harvesting is in many respects related to the weakness of state control in the forestry branch. However, a considerable part of the responsibility lies on the harvesting enterprises and timber trade companies that actually execute illegal harvesting and introduce illegally harvested timber into commercial circulation. In the present situation in Russia, each forestry enterprise must do its best to guarantee the legality of its timber and timber production.

In order to convince the governmental bodies of Russia and Europe, responsible timber buyers and international ecological organizations of the legality of timber's origin, harvesters must fulfill the rules stated in the legislation, and timber processing and exporting companies must introduce procedures that would allow the origin of timber to be tracked down and must make their business more transparent. There are already examples of a responsible attitude to timber trade in Russia.

Illegally logged wood is legalized later through subsequent transportation and trade that include the following illegal practices:

1. Misclassification of species in order to avoid profit taxes (e.g. declaration of regular pine instead of valuable Siberian and Korean pine), under-grading timber (e.g. stating pulpwood instead of saw logs and others);
2. Signing double invoices or contracts, providing either no payments back to Russia or a cash dollar payment that is brought into Russia illegally; under-valuing the export price in the "official" contract to hide profit that is paid in hard currency or remitted to a secret bank account;
3. Smuggling (illegal export without documents); documenting export through one-day firms or export using fake documents; under-declaration of timber volume by bribing customs officials, especially in remote and small ports, where state control is weaker and where local authorities and militia rule.

_Cedar anti-poaching brigade – a case study_

[_Illegal wood cutting site uncovered by Cedar anti-poaching group. © A. Kabanets_]

Mobile raid groups created with the initiative and financial support of WWF, such as the Cedar group of the Primorye Committee for Natural Resources’ Special Tiger Inspectorate, demonstrate their effectiveness in the fight against illegal logging. The group detects and stops illegal cutting and transportation of timber in Primorye and in
the southern part of Khabarovsky region. Over the 4 years since Cedar’s creation, its staff has seized more than 3,000 cubic meters of illegally cut trees on the roads in Primorye alone. Another several thousand cubic meters have been recovered through on-site inspections and the discovery of wildcat logging and illegal timber stocks. The group’s appearance in any area has a strong suppressing effect on wood thieves.

**Timber supply chain from Russia to Japan**

Overall Russian timber export dynamics to Japan lately are characterized by a sharp increase in export of round wood volumes, the gradual rise of sawn wood volumes and insignificant volumes of other processed timber items.
Among other Russian regions, the RFE takes the leading position in Russian timber export to Japan. Its share is about 55% by value.

At the same time, the structure of timber export from the RFE by item testifies that the RFE still remains a natural resource colony. Industrial round wood, meaning primarily selective saw logs of 1st and 2nd grades in the Japanese market, makes up 93% of all timber export. In comparison with overall Russian timber export to Japan, the share of sawn wood exported from the RFE decreased from 19% to 4% (by value).

Most of the processed wood volume exported to Japan is produced by two timber enterprises in Siberia (Igirma Tairiku, TM Baikal) and one company from the RFE (TerneyLes).
Japan is the most expensive and capacious timber market in the region. It mainly attracts Russian exporters with high prices and the opportunity of guaranteed contracts. At the same time, there are some negative trends in the Russian-Japanese timber trade. Due to round wood prevailing in the export, there is a larger dependence on current demand for timber subject to significant market fluctuations at any given moment. Japanese partners usually have no interest in investments in timber processing in Russia that has a tradition going back to the 1960’s when barter contracts between Russian and Japanese timber companies according to Russian-Japanese General Agreements on timber supply were widespread.

The Japanese market accepts mainly timber and lumber of high quality, unfortunately causing Russian loggers to carry out high-grading selective assortment logging in an environmentally destructive manner, violating cutting technologies and bringing about in this respect an illegal character in the RFE. Then, by focusing on raw log exports, Russian timber companies are also speeding up logging. Many logging companies in the RFE use cut-and-run selective logging practices. As timber simply is cut and exported and companies are faced with a growing scarcity of accessible stands, they go to develop wilderness that is inaccessible by road or look for protected areas in order to find new sources.

**Foreast Starma JV operations – a case study**

Foreast Starma JV is a company operating in the southeast of the Khabarovsk region on the shore of Japan Sea. The logging concession is located primarily in pristine spruce forests. Foreast Starma is a part of the US Pioneer group of companies. Thus, Forest-Starma and other timber companies operating in the Khabarovsk region oriented towards assortment harvesting policy with the use of processing machines has left at least 28-30% of industrial wood behind at its logging sites. These companies cut only trees with a diameter of 22 centimetres or more. Other wood, such as low-grade saw logs, pulpwod and thin logs, are thrown away in the forest. Such an industrial policy is not only environmentally destructive, but also economically unstable, as evidenced during the Asian financial crisis when there was a 30% slump in prices for overstocking Russian raw timber in Japanese ports.

In a phone interview with a WWF representative, a Foreast Starma manager said that they have established an ecological policy along with the personnel to conduct it. At the same time facts shows that the real policies of Foreast Starma are far from being stated.

According to expert evaluations, the real figures on Russian-Japanese timber trade are partly unreported. Divergence of the methods used for measuring, valuing and statistic accounting in Russia and Japan, corruption in Russia, and weak administrative import control in Japan provide a loophole for widespread illicit timber trade strategies and price transfer. For instance, such strategies include the use of double invoices or the practice of faked contracts in order to reduce the official contract price and evade taxes, labelling high-quality timber as “pulp logs,” or “contractual” rejection of the imported high-quality timber by the Japanese importer due to “its poor quality,” misclassification of tree species and grades.
As Russian foreign trade liberalization and privatisation have taken place over the last decade, the number of ports for export along the RFE coast has risen. Any military, ship-repair, fishing or research berth, which are often remote and not subject to the same level of government scrutiny as the larger ports, has become a place for leaking legal and illegal wood overseas. The share of these small ports is considerable in overall timber flow, reaching 16.7% by value in 2001.

Nakhodka’s shipyard as a gateway for timber export to Japan. © A.Kabanets

**Positive practice: JSC TerneyLes – Sumitomo Corporation**

The RFE region’s leading timber exporter, the TerneyLes Company, and the leading Japanese importer of RFE timber, Sumitomo Forestry, represent an example of a good production chain from forest to consumer, ensuring sustainable forest management and deep processing of timber. Sumitomo Forestry and TerneyLes established two joint ventures for processing low-grade timber and producing particleboard. Currently the TerneyLes Company sells 95 percent of the timber produced to the Sumitomo Forestry Corporation (Japan), while the domestic market consumes 5%.

TerneyLes aims to improve its forest management and logging practices, to collaborate with all stakeholders, indigenous peoples and market players, and to seek primarily through certification a new corporate image and improved market access. The company is a pioneer in pursuing FSC certification in the RFE. There are plans to certify about 500,000 hectares of coniferous temperate forest. At the same time there is a controversial situation with the area TerneyLes leases in the Samarga basin, where valuable pristine forests are located and indigenous people are leaving. TerneyLes has established a two-year logging moratorium for the area, and WWF expects that the situation will be solved based through dialogue with stakeholders, including ecological organizations.

**TerneyLes outputs**

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logging volume</td>
<td>916</td>
<td>979</td>
</tr>
<tr>
<td>Round wood</td>
<td>604</td>
<td>674</td>
</tr>
<tr>
<td>Wood chips</td>
<td>171</td>
<td>173</td>
</tr>
<tr>
<td>Sawn wood</td>
<td>57</td>
<td>70</td>
</tr>
<tr>
<td>Export volume</td>
<td>650</td>
<td>683</td>
</tr>
</tbody>
</table>
Transparency of the timber trade

Custom operations

According to expert evaluations and analysed data obtained through interviews with private timber logging and trading companies as well as customs and other officials, the volume of illegally logged and exported timber to Japan from the RFE under present realities of the Russian-Japanese timber trade is estimated as follows.

Possible share of illicit practices in logging, transportation and custom operations

<table>
<thead>
<tr>
<th>Logging and timber trade stages</th>
<th>Maximum volume of illegally logged timber, %</th>
<th>Probable illicit practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logging operations</td>
<td>100</td>
<td>Understating of true cutting volumes, selective assortment cuttings without permits or on the basis of forged or illegal permits, large-scale abuses of felling operations rules</td>
</tr>
<tr>
<td>Transportation, storage, processing</td>
<td>30-40</td>
<td>Smuggling (transportation without any documents for timber), laundering through faked documents, under-stating, under-grading</td>
</tr>
<tr>
<td>Seaport – embarkation</td>
<td>10-30</td>
<td>Smuggling, misclassification of species, under-measuring and under-grading</td>
</tr>
<tr>
<td>Custom-house export procedures</td>
<td>10-20</td>
<td>Under-grading, under-valuing the export price in the “official” contract, misclassification of species, creating double invoices or contracts to avoid taxes, under-declaration of timber volume by bribing customs officials</td>
</tr>
</tbody>
</table>

Other factors conducive to the aforementioned illicit practices in Japan can be named as follows:

- No requirement to declare timber sources by the importer and weak administrative or import control in Japanese ports;
- Different statistics and measuring methods for timber; no coordination between the customs of both countries;
- Lack of public awareness and recognition by private business of the global significance of the RFE forests and, secondly, of illegal logging.

The data of Russian State Custom committee (SCC RF) and data from the Association of Japanese Forest Importers (AJFI) does not fit. For example in the year 2000 SSC RF reports 7.22 million cubic meters of export to Japan, while at the same time AJFI reports only about 5.51 million cubic meters of imported wood from Russia. The Japanese magazine Nikkan Mokudzay Shimbun reports 6.16 million cubic meters imported from Russia, including round wood and sawn wood.

The Siberian (Pinus Sibirica) and Korean (Pinus Koreansis) Pine in Russia are prohibited from commercial cutting, except in some cases of thinning and sanitary felling. At the same time, some companies export valuable Siberian and Korean pine as general pinewood (Pinus Silvestris). Unfortunately the volume of such “pine” significantly exceeds the quota for Siberian and Korean pine for export. In addition, some other Red book species completely prohibited from cutting, such as the yew tree, Important, and chestnut, are also found in the export flow. For example, the Yamaguchi Corporation imported in 2001 around 40 cubic meters of chestnut tree to Japan.
Assessment of responsibility of business in the timber trade from Russia to Japan

This expert assessment was provided by WWF experts and based on direct interviews, information available on the Internet, the official Customs database, expert assessment, et cetera.

Leading Russian Exporters to Japan and Their Trade Partners

Source: Custom Data (2001)

Symbols

Export flows (thickness – share)

- **green**: roundwood
- **dark green**: sawn wood
- **purple**: wood-based panels
- **importers**
  - **pink**: Japanese
  - **blue**: Non-Japanese
# Responsibility Rating of Leading Russian Wood Exporters to Japan

<table>
<thead>
<tr>
<th>Rating characteristics</th>
<th>Ecological policy and seeking for forest certification (source: WWF survey)</th>
<th>Transparency (source: WWF survey, Internet, including local media screening)</th>
<th>Violation of harvesting regulations (source: expert assessment)</th>
<th>Social policy (source: Internet, including local media screening)</th>
<th>Export structure (source: customs information)</th>
<th>Species composition of export (source: customs information, expert assessment)</th>
<th>Violation of customs regulations (source: customs information)</th>
<th>Responsibility rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Igirma-Tairiku (Russian-Japanese)</td>
<td>4 – Ecological policy is implemented and certification is achieved</td>
<td>3 – Company collaborates with environmental NGOs, publishes information about its activity (in press and/or web-site)</td>
<td>2 – No violation of harvesting regulations or violations are insignificant / company does not purchase wood from doubtful sources</td>
<td>1 – Company has elements of social policy</td>
<td>0 – Analysis of the species structure of export allows us to conclude that a company is selling wood limited to commercial use or completely prohibited</td>
<td>0 – No species limited to commercial use or completely prohibited</td>
<td>0 – No violation of customs regulations</td>
<td>7</td>
</tr>
<tr>
<td>Terneyles</td>
<td>3 – Ecological policy is approved and is implementing, preparing for forest certification (pre-assessment)</td>
<td>2 – Company has an active social policy, both internal and local communities</td>
<td>1 – There are violations of harvesting regulations / company may purchase wood from doubtful sources</td>
<td>0 – There is no information about social policy (including due to non-transparency)</td>
<td>0 – Processed wood prevails, or the share of processed wood is less than a half but with deep-processed wood</td>
<td>0 – Analysis of the species structure of export allows us to conclude that a company is selling wood limited to commercial use or completely prohibited.</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Ruslesprom-Treling</td>
<td>2 – Ecological policy is approved but incompletely implemented or is developed</td>
<td>1 – There are publications about a company’s activity</td>
<td>0 – There are significant violations of harvesting regulations / company purchases wood from doubtful sources</td>
<td>0 – No information about social policy (including due to non-transparency)</td>
<td>1 – No species limited to commercial use or completely prohibited</td>
<td>0 – Analysis of the species structure of export allows us to conclude that a company is selling wood limited to commercial use or completely prohibited.</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Flora</td>
<td>1 – Interest to ecological policy and forest certification is demonstrated</td>
<td>0 – No significant information about a company’s activity</td>
<td>0 – No violation of harvesting regulations or violations are insignificant / company does not purchase wood from doubtful sources</td>
<td>1 – Company has elements of social policy</td>
<td>0 – Processed wood prevails, or the share of processed wood is less than a half but with deep-processed wood</td>
<td>0 – Analysis of the species structure of export allows us to conclude that a company is selling wood limited to commercial use or completely prohibited.</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Thomeast-Thomforest (Russian-Japanese)</td>
<td>0 – No Interest to ecological policy</td>
<td>0 – No significant information about a company’s activity</td>
<td>0 – There are significant violations of harvesting regulations / company purchases wood from doubtful sources</td>
<td>0 – No information about social policy (including due to non-transparency)</td>
<td>1 – No species limited to commercial use or completely prohibited</td>
<td>0 – Analysis of the species structure of export allows us to conclude that a company is selling wood limited to commercial use or completely prohibited.</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>TM Baikal (Russian-Japanese)</td>
<td>0 – Insufficient information about a company’s activity</td>
<td>1 – There are publications about a company’s activity</td>
<td>0 – There are violations of harvesting regulations / company may purchase wood from doubtful sources</td>
<td>0 – There is no information about social policy (including due to non-transparency)</td>
<td>1 – No species limited to commercial use or completely prohibited</td>
<td>0 – Analysis of the species structure of export allows us to conclude that a company is selling wood limited to commercial use or completely prohibited.</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Forest-Starma (Russian-American)</td>
<td>0 – Ecological policy is approved and is implementing, preparing for forest certification (pre-assessment)</td>
<td>0 – No significant information about a company’s activity</td>
<td>0 – There are violations of harvesting regulations / company may purchase wood from doubtful sources</td>
<td>1 – Company has elements of social policy</td>
<td>0 – Processed wood prevails, or the share of processed wood is less than a half but with deep-processed wood</td>
<td>0 – Analysis of the species structure of export allows us to conclude that a company is selling wood limited to commercial use or completely prohibited.</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

## Decision making base for Responsibility rating

**GROUP A (Maximum weight)**
- Ecological policy and seeking for forest certification (source: WWF survey)
  - 4 – Ecological policy is implemented and certification is achieved
  - 3 – Ecological policy is approved and is implementing, preparing for forest certification (pre-assessment)
  - 2 – Ecological policy is approved but incompletely implemented or is developed
  - 1 – Interest to ecological policy and forest certification is demonstrated
  - 0 – No Interest to ecological policy

- Transparency (source: WWF survey, Internet, including local media screening)
  - 3 – Company collaborates with environmental NGOs, publishes information about its activity (in press and/or web-site)
  - 2 – Company publishes information about its activity (in press and/or web-site)
  - 1 – There are publications about a company’s activity
  - 0 – Insufficient information about a company’s activity

**GROUP B (Middle weight)**
- Violation of harvesting regulations (source: expert assessment)
  - 2 – No violation of harvesting regulations or violations are insignificant / company does not purchase wood from doubtful sources
  - 1 – There are violations of harvesting regulations / company may purchase wood from doubtful sources
  - 0 – There are significant violations of harvesting regulations / company purchases wood from doubtful sources

- Social policy (source: Internet, including local media screening)
  - 2 – Company has an active social policy, both internal and local communities
  - 1 – Company has elements of social policy
  - 0 – No information about social policy (including due to non-transparency)

**GROUP C (Low weight)**
- Export structure (source: customs information)
  - 1 – Processed wood prevails, or the share of processed wood is less than a half but with deep-processed wood
  - 0 – Roundwood prevails

- Species composition of export (source: customs information, expert assessment)
  - 1 – No species limited to commercial use or completely prohibited
  - 0 – Analysis of the species structure of export allows us to conclude that a company is selling wood limited to commercial use or completely prohibited.

- Violation of customs regulations (source: customs information)
  - 1 – No violation of customs regulations
  - 0 – There are violations of customs regulations

* *Korean and Siberian pine (if obtained by clear cut, or sanitary cut - if forest consists of more than 40% of such pine), linden, dimorfant, yew, some birch varieties, and other species, listed in the regional Red Books*
The expert assessment shows that the level of responsibility in the Russian-Japanese timber trade varies. The leaders – Russian TerneyLes and Sumitomo Company from Japan – show a reasonably good level of responsibility. Their industrial and commercial chain includes less timber cut in violation of prescribed technology, less illegal logging, and more transparency and social responsibility than in other chains of other companies. The worst chains are Russia’s Forest Starma and its American partner, Rayonir Inc., a provider of wood products to the Japanese market; Russia’s ThomEast and Japan’s Thomesto; Russia’s RuslesPromTrading and Luxemburg Trader, which trades in timber products for Japan Pine Timber Ltd; and Russia’s Flora and its numerous Japanese partners – show basically a non-responsible approach to timber trade, a high percentage of illegal logging and illegal operations, and a low level of transparency. At the same time, the situation could change if the above-mentioned companies would change their usual practices and begin responsible timber procurement. Immediate measures are needed to improve the ecological and social parameters of the timber trade in such chains.
Based on the report's findings, WWF calls for:

**Governments:**

- Recognize the global significance of preservation and sustainable use of Russian Far East forests.
- Acknowledge the problem of illicit origin of a certain part of Russian timber export to Japan by the Japanese side; determine what timber can be referred as illegally logged or/traded.
- Launch intergovernmental efforts between Russia and Japan, as G8 members, to sign a specific timber trade agreement on:
  - sharing and comparing accurate export statistics from Russia with import statistics in Japan, ensuring a calibration of registered parameters and measuring methods, classification and unification of tree species reflected in the statistics of both countries;
  - strengthening customs control that would play a crucial role in halting cross-border timber smuggling and the importation of illegally logged timber;
- Promote a consumer campaign in Japan to develop a market for certified, legally and sustainably harvested wood products through government incentives and public awareness.

**Corporate sector:**

Wood-buying companies must demand that suppliers implement an ecological policy of timber procurement to avoid illegal timber or timber from high conservation value forests.

Supply companies must declare and implement an ecological policy based on following the principles endorsed by major international ecological organizations and applied by key European timber trade companies for procurement in Russia.

**Principle 1. All wood harvested, purchased and used at our enterprise is harvested in a legal manner and its origin is without doubt**

**1.1 The company has a transparent timber supplies policy**

Timber supplies policy shall include:

- The company not permitting timber to be purchased for cash payment, without consent documents, from dubious purveyors, and not permitting the purchase of tree species prohibited for commercial use;
- Purchasing timber on the basis of contracts including clear demands on legal origin, ecology;
- Transparency of tracing procedure and willingness of the company to demonstrate that.

**1.2 The network of suppliers is optimised in compliance with the principles of sustainable forest management**

The optimisation of the suppliers net foresee:

- Careful choice of logging companies for wood supply to influence the use of forest in these companies,
- The number of suppliers must be not too great to allow the company to control them in a qualitative way;
- When timber is purchased from sub-traders, there must be evidence that the latter have transparent tracing systems supervising the origin of timber sold by their suppliers.

**1.3 Mechanisms for monitoring suppliers' work are in place**

The timber origin monitoring mechanisms shall consist of:

- An inner timber supplies control system including procedures for examining felling plots;
- Confirmation of the inner timber supplies control system by an audit carried out by a third party.

**Principle 2. Our enterprise does not use timber originating from forests with high conservation functions or values.**

2.1 The enterprise, specialising in logging, provides information to the regime on limiting forest use and observes precisely established limitations.

2.2 The enterprise contributes to identification and preservation of high conservation values forests on leased areas.
Principle 3.  *Trained personnel at the enterprise provide transparency for the realisation of ecological policy*

3.1 *The enterprise ensures transparency of its activity for implementing ecological policy*

- The enterprise ensures openness and transparency of the production and economic activity in the introduction of ecological policy.
- The enterprise ensures propagation and explanation of its ecological policy.
- The enterprise presents its open report regarding the year results prepared by the third independent party

3.2 *Our staff is prepared for realisation of ecological policy*

- The firm sets up a director for ecology (head or manager) on its staff in charge of ecological policy in wood utilization and wood supplement.
- The firm’s budget includes a clause for financing ecological measures.
- Staff should be trained for realisation of ecological policy.

WWF, together with state organizations, will monitor the Russian-Japan timber trade, including timber export transparency and the legality of exported timber.