

## REGIONAL OVERVIEW

# Forest Certification in Eastern Europe and Russia

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## INTRODUCTION

This section presents four case studies of forest certification in countries from the former “eastern block” – Estonia, Latvia, Poland, and Russia. These countries have many important similarities, the most obvious being their socialist histories and recent transition to market based economies. They have also adopted forest certification rather readily. Yet there are many striking differences among these countries that could turn out to be as important as their similarities.

## SIMILARITIES

Since 1989, all of these countries have undertaken the transformation from centrally controlled socialist economies into capitalist ones. Although often called “countries in transition,” they might more accurately be called “countries in convulsion.” The process of economic transformation has been turbulent and difficult. After many decades of socialist rule, these countries have rapidly shifted their legal and political structures to facilitate market-based regulation, shaking long-standing arrangements in every area of social life.

Most of the former socialist countries have large – sometimes very large – forest reserves. For the most part, these forests are in good ecological condition, since socialist policy protected many natural areas and practiced relatively low harvest levels in many production areas. Their proximity to high-consumption European and Asian markets now makes these forests potentially vulnerable to rapid depletion, especially because the breakdown of the socialist system has made basic economic resources scarce in many rural areas. The desire for hard currency has placed considerable pressure on some of the region’s forests. This pressure is particularly potent because domestic public opinion tends not to place heavy emphasis on environmental protection, and most government policies stress economic growth. Although Soviet-era policies were consistent with ideas such as valuing environmental services and protecting natural capital, these ideas presently are not very influential. The struggle for personal subsistence and the rise of consumerism have turned public attention away from environmental problems. Thus, there is little effective domestic demand for forest certification, which is still seen largely as a practice related to external export concerns.

At the same time, these societies have resources to help control destructive harvesting. Among the most important are the forest scientists and professionals who are a legacy of the socialist system’s stress on technical expertise. A great many of the individuals who have become engaged in forest certification are well trained and highly knowledgeable about forests and forest policy. Some of them have long been involved in forest and other policies, usually through state bureaucracies. Although the case studies indicate that traditional management structures have sometimes been rigid and resistant to desirable change, this tendency has also given them at least a limited capacity to buffer the most destructive aspects of rapid marketization of forests. More importantly, however, new networks of experts have formed, partly due to forest cer-

tification and partly due to the larger restructuring processes that have occurred. These networks have demonstrated a considerable capacity to learn and to adapt. Their ability to achieve effective and responsive policy control, however, will only become clear in the coming years.

The countries discussed in this section can also draw on a long tradition of preservation-oriented forest policy. Although the Baltic and Polish forests were over-utilized in the period around World War II, a preservationist paradigm then took root in those countries. Forest management was based on German theories of the normal forest and timber flow, enriched by Russian forest typology and large-scale biogeocenotic landscape concepts. Forestry was biologically rather than commercially oriented, with the result that harvest rates were limited to 20 to 40 percent of annual growth.

Although logging has increased significantly in all four countries since the demise of the Soviet Union, causing some of the problems discussed below, total harvest levels remain well below annual forest growth increments except in Estonia, where they are approximately equal. State forestry policies continue to impose many management restrictions in commercial forests, such as high minimum rotation ages and small allowable clear-cut areas. In addition, they devote a large and expanding share of forested area to non-commercial uses, some very strictly protected. Foresters in the state forest authorities generally remain quite preservation-oriented. This orientation has been reinforced by participation in international environmental initiatives, such as the 1992 United Nations Conference on Environment and Development process and the Ministerial Convention on the Protection of Forests in Europe.

Despite these strengths, forestry in Eastern Europe and Russia has suffered a worsening image both domestically and internationally. Some of this decline seems attributable to the projection of general assumptions onto forestry. Domestically, people generally distrust state authorities. They therefore tend to assume that increased logging involves excessive harvesting and forest destruction, even when the data may suggest otherwise. Abroad, many people have a very vague understanding of the actual situation in Eastern Europe and Russia, and often seem to assume that the forests have been ruined along with everything else in the collapse of socialism.

At the same time, some forests in the region face very real problems. The aggregate statistics on total forest harvest and growth noted above tend to obscure localized environmental problems and changes in forest quality. In Estonia, for example, much of the annual increment in forest growth is attributable to natural regeneration of harvested areas, meadows, and fields. Thus, self-started aspen-willow-hazel brushwood stands can replace harvested conifer stands in the aggregate statistics. Some privately owned lands, in particular, have suffered degradation. The rise of "wild capitalism" and illegal logging have caused the most serious problems in the Russian Far East, where widespread deforestation and other ecological damage have occurred at the hands of timber thieves and corrupt officials carrying out destructive harvests to feed Asian markets. Illegal logging is also a problem in western Russia, where it more often involves exceeding allowable limits and sale-oriented "thinning" rather than cutting without any permits at all, and in parts of the Baltic states, where

it more often involves violations of environmental laws, logging without permits, and tax fraud or money laundering. In Estonia, poor regulatory enforcement has led to serious over-harvesting and non-regeneration of a number of spruce and pine forests. The severity of forestry problems outside eastern Russia also remains subject to some disagreement among experts.

Whether the retained ordering capacity offered by professional structures and preservationist policies will prove sufficient to manage the above challenges in the face of rapid structural transformation and entry into the global market remains to be seen. As noted above, forest policies necessarily have had to change to adapt to market logic, and indeed have undergone almost constant change since the beginning of economic restructuring. Transnational environmental non-governmental organizations (NGOs) and their local affiliates saw this as a significant problem and responded with a sense of urgency. One of their primary strategies has been to promote forest certification as a counterforce to unregulated markets, governmental export promotion, and vulnerable state regulatory structures.

Overall, the countries described in the case studies adopted forest certification relatively quickly. Sometimes there was considerable initial opposition from the state agencies, but it generally turned into support rather quickly as well. Thus, in all four countries, forest certification – and in particular the Forest Stewardship Council (FSC) system – has made remarkable progress. This contrasts with most other cases in this book, where the FSC remains a niche program or has yet to realize its potential. Almost all of the certification in Eastern Europe and Russia to date has been in state-owned forests.

The adoption of forest certification also appears to be having visible effects in all of the case study countries. These effects are sometimes difficult to sort out, however, particularly in the case of environmental conditions. There are two main reasons. First, because traditional forest policy in the region was already relatively conservation-oriented, it probably had some capacity to improve environmental protection regardless of whether forest certification was adopted. Second, forest certification has occurred at the same time as many other processes of policy reassessment and reform, and it is often difficult to attribute changes entirely to certification. Still, it does seem clear that processes associated with forest certification have had some important effects in strengthening environmental protection in the region's forests. These sometimes work indirectly, for example, by introducing concepts such as "old growth forest" in Russia or developing new concepts such as the "spring truce" (cessation of logging during the spring breeding and rearing season) in Estonia. Moreover, the demonstration of successful models of certified forest management appears to ripple through the forest management community in many subtle ways.

The effects of forest certification on social practices and power structures appear somewhat easier to discern, although again, other processes occurred simultaneously. First, of course, the rise of forest certification is tied to the greatly expanded importance of external markets in local affairs throughout the region, and this change is in turn tied to a new presence of transnational environmental NGOs in local policy processes. Moreover, this change has supported the rise of local

environmentalist voices in forest policy-making in the region. Forest certification has not only inserted new actors into policy processes but is also playing an important role in changing general assumptions about how governance institutions can and should work. In each of the countries studied, although to varying degrees, the emphasis of forest certification on stakeholder deliberation and public participation seems to be catalyzing interest groups and local communities to advocate policies and assert rights in ways that would not have occurred under prior arrangements. It is creating and demonstrating models of broad public participation that appear to have the capacity to reshape general understandings of how policy should be made. Finally, forest certification seems to have helped improve working conditions in each of the countries studied.

## **DIFFERENCES**

Although there are many striking similarities across the case studies in Eastern Europe and Russia, there are also many important differences. First, the countries vary enormously in geography and demography – from Estonia, with approximately 2.2 million hectares of forested area and 1.3 million people, to Russia, with approximately 1.2 billion hectares of forested area (almost 550 times as much) and approximately 150 million people. Thus Russia, with perhaps the world's greatest untapped conifer reserves, holds disproportionate significance for world timber markets.

The countries also carry quite different pre-socialist economic, cultural and political histories. The Baltic countries of Estonia and Latvia had long-standing and important relationships to the Nordic countries, whereas Poland was much more oriented to central Europe. Russia, by contrast, transacted with both Europe and Asia but operated more independently on a more global stage. Historical land ownership and tenure patterns in the four countries were also very different, running from the Tsarist feudal system of Russia to the much greater prevalence of small private land holdings in the Baltic countries and Poland.

Since the demise of the socialist system, the countries have again started to diverge in many ways. With respect to forest certification, several basic patterns are noteworthy.

First, Russia and Poland have much higher levels of publicly-owned forested land than do Latvia and Estonia. While all countries have made some movement toward privatizing forest land, that process has gone much farther in the Baltic states than in Poland or Russia. At present, wide-scale privatization appears unlikely in Poland, where nearly 80 percent of forests remain state-owned. In Russia, by contrast, all forest land remains state owned, but its future is more uncertain. Important decisions about privatization are expected in the forthcoming Forest Code. For now, all that can be said is that any privatization would not occur before 2010 and that only companies with demonstrated good forestry practices would be allowed to privatize. This is officially enunciated policy; it is impossible to predict with any confidence what will happen in practice.

Second, the state forestry agencies in the case study countries have followed rather different structural patterns. In Poland, the forestry agency has retained a structure that integrates policy making and management functions in a single powerful organization. Its struggle against forest land restitution may be an important reason for its comparatively early adoption of forest certification. The agency has used certification to communicate to Polish society that state forests are well managed, which might not have been the case if restitution had taken place. In Latvia and Estonia, state forestry agencies were radically restructured in 2000 by separating policy-making and management functions. The resultant forest management companies viewed certification primarily as a tool to strengthen their market position. Estonia's forestry sector became the most liberalized in the mid-1990s, thereby prompting the growth of comparatively strong NGOs that used certification as a means to combat forest exploitation and strengthen their own policy authority. The Russian administrative structure, while also seeing some separation of functions, has been in almost constant flux. Its lack of stability and power has been an underlying cause of problems in the Russian forestry sector.

Third, Estonia, Latvia, and Poland have joined the European Union. Their policy and social assumptions are therefore inflected to conform to western European assumptions to a greater degree than those of Russia. At the same time, Russian producers and policy makers seem to be very sensitive to European markets, and many decisions are made with an eye to how they will sell in Europe. Thus, whether differences between Russia and the other countries grow or diminish over time may depend on the degree to which the European market maintains effective pressures for conformity to the standards promoted by forest certification.

Fourth, the primary threats to the forests vary considerably. Illegal forestry activities are an important challenge in all four countries. The issue is least significant in Poland, while in Latvia and Estonia it mainly involves tax fraud, bribery, and occasional environmental violations, but does not appear to involve widespread destructive logging in ecologically valuable forests. In Russia, the problem varies enormously by region, being much more significant in the eastern than in the western part of the country, and near the borders rather than in the interior. More worrisome, however, is the fact that strong organizations are growing up around the illegal harvesting and sale of timber in Russia, and they may develop strong ties to similar organizations in other sectors and countries. Although destructive harvesting presently appears to be a significant problem only in eastern Russia and some parts of Estonia, the market is turbulent enough that problems could emerge elsewhere. On the other hand, given the forest age-class structure resulting from post-war regeneration in the Baltics and Poland, under-harvesting could also be a problem, leading to a large build up of trees in the next two decades and then possibly again a shortage in the longer term.

Many important questions regarding forest certification await answers in this region as its forest sector comes online in the global economy. At the level of certification programs, there is the question of whether the growing importance of private landholders will combine with the incorporation of the region into European

discussions to increase the importance of the program for the endorsement of the forest certification (PEFC) system. This is made more likely by the PEFC's purposeful linkage to the forest management criteria of the "Helsinki process" – the Ministerial Conference on the Protection of Forests in Europe.

Whether or not the PEFC develops an important role in the region, will forest certification make significant inroads into the world of private landholders, particularly smaller ones? It has not happened to date for many reasons, including that certification is relatively expensive for small landholders and they often have not been very sophisticated forest managers nor very good at forming cooperative associations. As the market consolidates, however, it will be interesting to see whether small landholders feel a need for certification, and in so doing organize themselves into a more significant voice in regional forestry policy.

### **IMPORTANT QUESTIONS FACING THE REGION**

Some of the biggest questions concern the institutionalization of forest certification, – i.e., the degree to which it becomes embedded in the daily life of the region. It faces many challenges. The most immediate may be the problem of illegal logging. If certification is to become a defining practice, illegal logging will have to be effectively curbed and controlled. Whether this can be done is not clear, since many interests have come to depend on illegal logging, and the capacity to control it in many regions is low. The answer will depend on parallel developments outside of certification per se. First is the challenge of strengthening state regulatory and police institutions to the necessary degree, an open question in a region where some state agencies have been greatly weakened and where officials often depend on non-state sources of revenue. Second is the challenge of engaging local publics in protecting forests and controlling corruption. To date they generally seem to see new developments in forest management as a gift from the outside or from officials and not as indigenous to their lives. For certification to become institutionalized this will have to change. The third and related challenge is to expand public environmental awareness to the point where certification is no longer seen as a convenient response to external demands, but rather as a valuable improvement of local life. Finally, to meet these challenges, forest certification will have to demonstrate the ability to learn about and adapt to the particular circumstances and needs of the region. There are signs that this is happening, but there is still a long way to go.

Ultimately, then, the future of forest certification is tied to the future of the larger ensemble of management and governance institutions in the region. While there are grounds for believing that certification has contributed to their development and enrichment in the short term, its long-term prospects are also deeply dependent on their independent elaboration and strengthening.

