

## **LEAD-Europe**

### **Proposal for a Trade and Environment Case Study in Relation to Industry - NGO collaboration in Karelia, Russia**

The moratorium on Finnish timber imports from old-growth forests in Karelia has received controversial reactions. There are contradictory responses from different levels of government in Russia, and Russian and West European NGOs are re-assessing their campaigns regarding old-growth forests. In this situation, LEAD-Europe will assess the timber trade issue in collaboration with LEAD-CIS. Both organisations have established networks of mid-career managers from industry, NGOs and government over several years in their respective regions. They have provided training in conflict management, negotiation, policy-making and inter-sectoral dialogue, forming a joint skill basis in the network. LEAD-Europe and LEAD-CIS will mobilise a group of 30 carefully and competitively selected sustainable development specialists to work together on the timber trade situation. All types of stakeholders are represented amongst the CIS and the West European LEAD "Associates".

This group of Associates will approach NGOs in Russia, Finland, Germany and Switzerland who have been involved in the old-growth forest issue in Karelia, WWF, NABU, Socio-Ecological Union, Biodiversity Conservation Centre. Furthermore the LEAD Associates will gather information on current regulatory practice of the regional and the national government. On the scientific side, the LEAD Associates will consider recent research on biodiversity and acidification in the Karelian forest. The group of LEAD Associates will travel to Karelia and discuss the timber trade with local officials, the NGOs and the Finnish timber importers.

The outcome is the following:

- 1 - The Finnish timber importers will have the opportunity to present their forest management policy to the NGOs and to local government.
- 2 - Russian and West European NGOs' argumentation will be compared and differences will be assessed.
- 3 - The forestry management in Karelia and by Stora/Enso will be assessed comparatively to the management proposed by the Forestry Stewardship Council.
- 4 - The results of the above will be used to inform a TV-documentary on the timber trade to be shown on German national television.
- 5 - Stora/Enso will receive a strategy proposal to inform the Finnish and the Russian public about the impact on forest operations in Karelia
- 6 - The Associates will elaborate a proposal for regular consultations between specific levels of government, specific NGOs and Finnish importers.

## **Rationale for the case study:**

The exploitation of natural resources and trade with Western Europe are important sectors during the economic transition in CIS countries. Does Western Europe export environmental damage? To answer this question, one has to assess the adoption of best practice in natural resources exploitation, which depends on applied research to provide considerable amounts of data, much of which is not available in CIS countries.

In parallel, one has to consider the actors in the public sphere who do influence opinions by disseminating scientific results. NGOs in Russia and in Western Europe have in the past worked together but their scope of action is considerably different. Exports of timber from Karelia to Finland are an interesting case to assess this. The forest industry provides more than 50 % of the employment in the Karelia region. Following NGO campaigns in Western Europe, Stora/Enso has declared a moratorium on imports from old-growth forests in Karelia. According to the company's environmental policy, the origin of all logs to the precision of the stand from which they come is known with certainty. What is the effective impact of this moratorium on forest management in Karelia and on old-growth forest in particular?

The Forestry Stewardship Council has been instrumental in promoting sustainable forestry practices in many countries but the Council has had no success in Finland and Russia. What is the potential for NGOs and forestry corporations to change their relations so that local government can make more informed choices? East-West relations might introduce specific problems for NGOs. For the local government in Karelia, the economic constraints are severe. Exports of timber are the major source of scarce foreign currency. Employment is a direct function of forest being cut. Foreign investments in the pulp industry have not been forthcoming as expected. What is the real growth/environment trade-off for Karelia? It takes 20 to 30 years for clearfelled forests to recover the biodiversity of old-growth forest. On the other hand, the carbon sequestration of newly planted forests is considerably larger than in standing old-growth forests. What is the net sustainability impact of current forest management in Karelia and how much can be gained from moving towards best practice?

What is an economically viable strategy to get there given the Karelian situation in terms of employment and the trade balance with Finland and the EU? If these conclusions can be drawn, the moratorium maintained by Stora/Enso can be modified in an administratively viable way combining the social, economic and environmental parameters in Karelia. Equally conclusions about the specific impact of the NGO campaign can be drawn. In light of this evidence, what are the relations between forest companies and NGOs in Finland and in Russia and where are the crucial links? The comparative advantage of businesses can be enhanced by understanding the competitive positions of both industry and NGOs.