

# FOREST DEVELOPMENT PROCESS OF KHABAROVSK KRAI AND FULL-FLEDGED REVISION OF FUNDAMENTAL FOREST LAW OF RUSSIAN FEDERATION

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## 1. HISTORICAL ANALYSIS OF FOREST DEVELOPMENT IN KHABAROVSK KRAI

Figure 1 shows trend of logging activities of Khabarovsk Krai since 1948. Since the late 1960's, the former USSR government put stress on the development of forest resources in the Far Eastern economic region, which resulted in rapid increase of timber production in the region. Khabarovsk Krai, which has been major timber production area in the Far East, also increased its timber production. During 1970's and 1980's timber production in Khabarovsk Krai remained a high level around 140-150 million m<sup>2</sup>. However, due to economic turmoil after the collapse of former USSR and planned economy, timber harvest dropped drastically, and level of timber harvest in mid-1990's is almost a fourth of 1980's. Although timber harvest has begun to export-led increase since 1998 because of the drop in the Ruble's value, but still the level of timber harvest is far below 1980's (Kakizawa and Yamane, 2002).

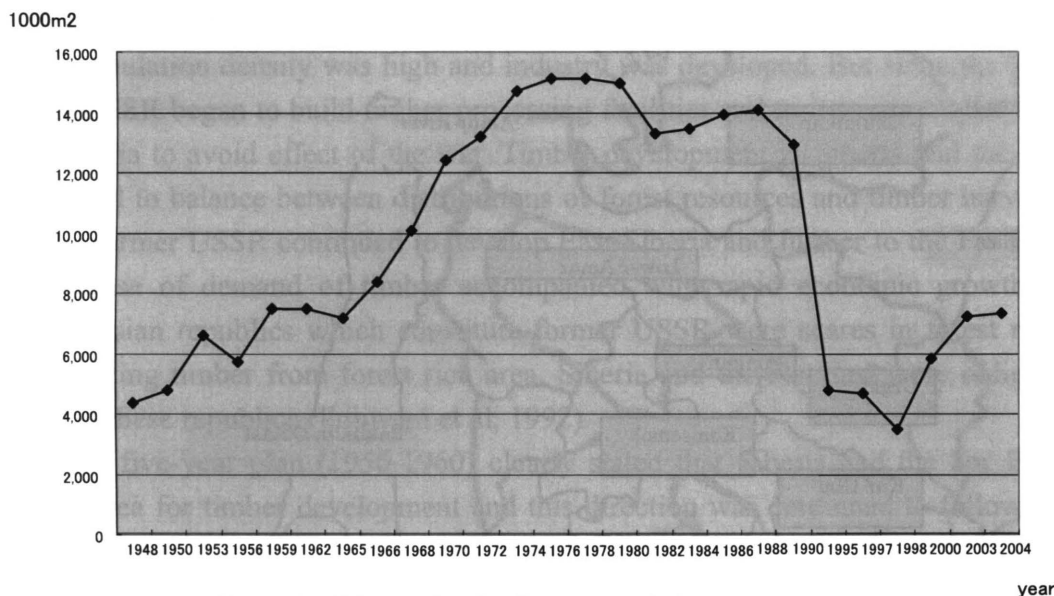


Figure.1 Volume of timber harvest in Khabarovsk Krai

In this paper, forest development in Khabarovsk Krai will be divided into three periods –  
Period I; 1950-1960's when timber production began to increase  
Period II; 1970-1980's when timber production remained high level  
Period III; after 1990's when timber production dropped then recovered oriented by export

Forest development of Period I and II were carried out under planned economy of the former USSR and period III was under transitional economy from planned economy to

capitalist economy.

Basic unit to analyze data on development process was set as forestry region. In Russian federation, basic forest management unit is “leskhoz”, but there have been frequent abolish, merge, redivision, and change of boundaries of leskhozes. In contrast, boundary of forestry region has been unchanged during time period of analysis and considered to be appropriate unit to analyze data. There are 12 forestry regions in Khabarovsk Krai (Fig 2) and trend of timber harvest of each region is shown on Fig 3.

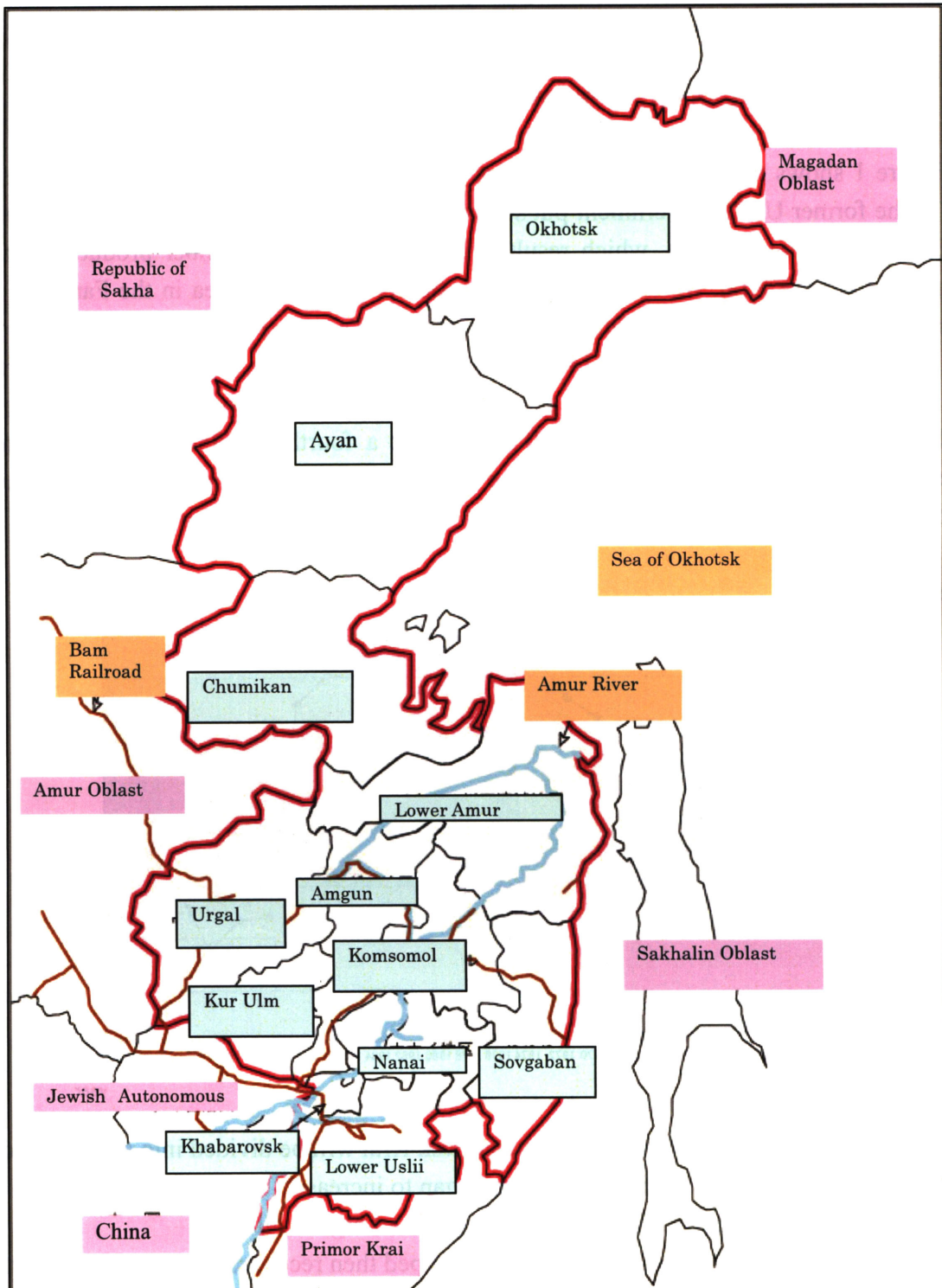


Figure 2. Forestry regions in Khabarovsk Krai



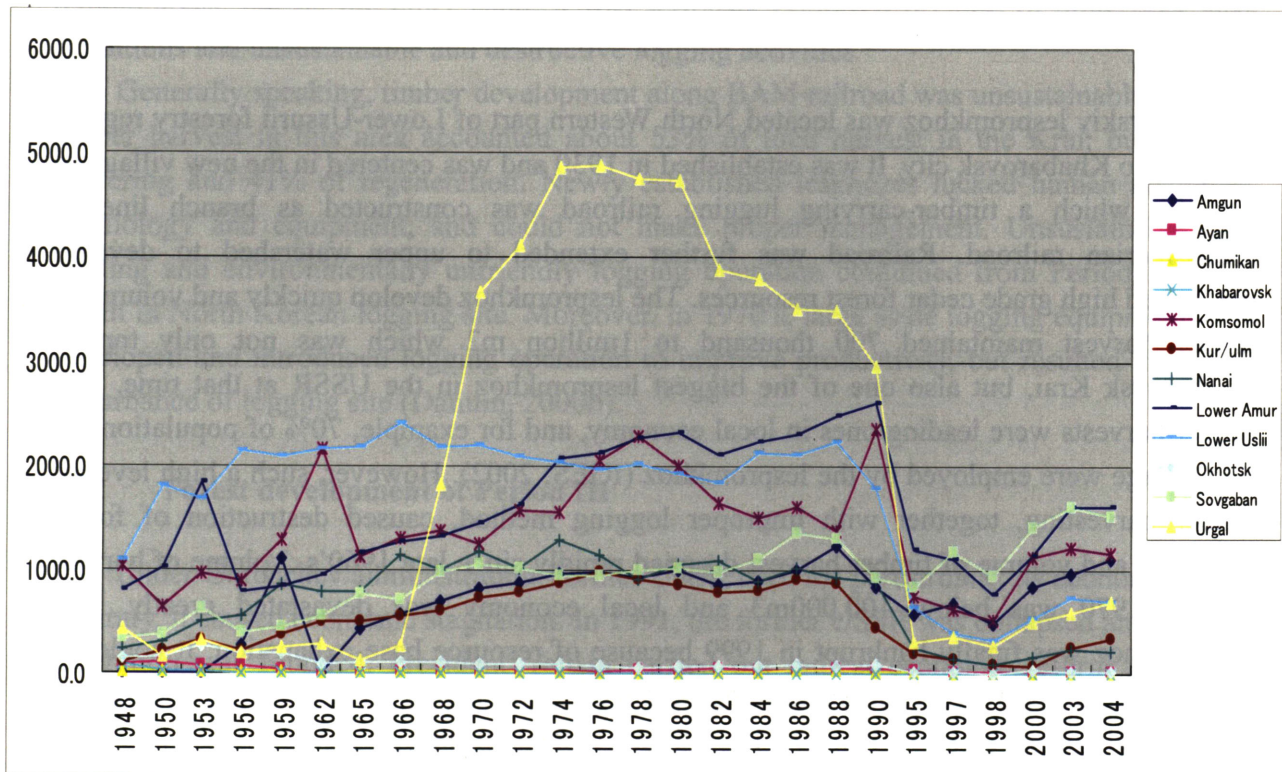


Figure 3. Volume of timber harvest by forestry region

### 1.1. Forest development of Period I

Originally, forest development of the former USSR had been active in the European part where population density was high and industry was developed. But since the World War II, former USSR began to build timber processing facilities and to increase timber harvest in the East Siberia to avoid effect of the war. Timber development in Siberia and the Far East was also aimed to balance between distributions of forest resources and timber harvest. After the WW II, former USSR continued to develop East Siberia and further to the Far East, to fulfill the increase of demand of timber accompanied with rapid economic growth. Especially, Central Asian republics which constitute former USSR were scarce in forest resources and need to bring timber from forest rich area. Siberia and the Far East were obliged to supply timber to these republics (Fujiwara et al, 1992).

Sixth five-year plan (1956-1960) clearly stated that Siberia and the Far East area was priority area for timber development and this direction was continued to following five-year plans. In 1966, Council of ministers of USSR issued decree "On development of timber harvest industry from 1966 to 1970", which mandated further development of timber harvest in Siberia and the Far East, accelerated the development in these region.

In response to these plans, timber harvest was increased during 1950's and 1960's, especially, late 1960's as shown in figure 1. Because infrastructures such as roads and railroad was not well developed in this period, center of timber harvest was Lower-Ussurii, Komsomol, and Lower-Amur forestry regions, which located along the existed Trans Siberian railroad, or Amur and Ussurii River and convenient for log transportation. Especially, Lower Ussurii



forestry region is located close to Khabarovsk city and Tran Siberia railroad, timber harvest was most intense at that time. Following is typical example of timber development in this region.

Oborskiy lespromkhoz was located North Western part of Lower-Ussurii forestry region, adjacent to Khabarovsk city. It was established in 1930 and was centered in the new village of Sita for which a timber-carrying logging railroad was constructed as branch line of Transsiberian railroad. Railroad was further extended to upper watershed to develop untouched high grade cedar forest resources. The lespromkhoz develop quickly and volume of timber harvest maintained 700 thousand to 1million m<sup>2</sup> which was not only top in Khabarovsk Krai, but also one of the biggest lespromkhoz in the USSR at that time. The timber harvests were leading ones in local economy, and for example, 70% of populations of Sita village were employed by the lespromkhoz (IGES, 2002). However, such a high level of timber harvesting, together with improper logging method, caused destruction of forest resources and volume of timber harvest dropped rapidly since late 1960's. Volume of harvest in mid 1970 was below 100,000m<sup>3</sup> and local economy was devastated greatly. The lespromkhoz was finally bankrupt in 1999 because of resource base exhaustion. It could be concluded that the way of timber development was unsustainable, and this is not exception but generally observed in the Krai and it continued to the present.

## **1.2. Forest development of Period II**

During 1970's and 1980's, timber harvest in Khabarovsk Krai remained high level of 1.3 – 1.5 million m<sup>2</sup>. Five-year plan continued to emphasize development of forest resources in the Far East, especially along BAM railroad. Construction of BAM railroad was national project of former USSR and one of major aim was to developed enormous amount of untouched forest resources north of Transsiberian railroad. In 1972, "Long term forest development plan along BAM railroad" was adopted by former USSR as fundamental plan of forest development. Final completion of BAM railroad was 1984, but forest development along the railroad has become active since late 1960's using completed part of the line.

As shown in figure 2, volume of timber harvest of Urgal forestry region located along BAM railroad, increased quite rapidly and reached exerts level in 1970's, and maintained high lever during 1970's and 1980's. This region was originally controlled by Bureinskiy leskhoz, but to prepare to enlarge timber harvest, the leskhoz was divided into Tyrmin and Urgal leskhoz in 1967, and in 1976, Umaltin leskhoz was spin off from Urgal leskhoz and Sogdin leskhoz from Tyrmin leskhoz. Concerning timber industry unit, Urgal lespromkhoz was established in 1951, and Tyrmin and Chegdom lespromkhoz and Urgalles Timber Combinat was established in 1965 (Danilin 2000a). Thus organizational foundation was developed and active timber harvest was carried out. It is noteworthy that development of this area was mainly carried our by North Korean labor forces. Former USSR government signed agreement with North Korean government to lease forest resources and let Korean laborer to log and give 60% of the round wood cut back to the Krai as compensation (Josh, 2004). With this agreement, it made possible to drastically increased volume of timber harvest in these



remote areas, but on the other hand, it was seriously criticized because of quite poor labor conditions and unsustainable and destructive logging activities.

Generally speaking, timber development along BAM railroad was unsustainable. In 1985, timber harvest in this area accounted about 53% of total harvest in the Krai, but 32% of tendering and 41% of regeneration. Newly established leskhozoes lacked human resources, technology and equipment, and could not make proper management. Unsustainable high grading and environmentally unfriendly logging operation continued from Period I – even worth in North Korean logging site. Moreover, in 1970's, large scale logging equipments was developed and introduced logging operation to improve productivity, but resulted in serious disturbance of logging site (Danilin, 2000b).

### **1.3. Forest development of Period III**

Under Gorbachev administration, former USSR tried to “perestroika” its economy, but in contrary, it caused economic stagnation. In 1991, the former USSR was collapsed and Russian federation was founded. President Yeltsin carried out radical economic reform to change planned economy to capitalistic economy and it caused serious economic confusion. Together with scale down of domestic market because of the collapse of USSR, timber production felled at a rapid rate, and in middle of 1990's the level was about a fourth of 1980's.

In 1998, financial crisis hit the Russia and timber exports became on the strength of a cheap Ruble (Kakizawa and Yamane, 2002). Since 1998, timber harvest has been increased and it reached 8.2 million m<sup>2</sup> in 2005. Destination of timber export in 1990 was mostly to Japan, but China began to increase at a great rate due to increase of timber demand by economic growth and policy to protect natural forest for watershed conservation.

Decrease of timber harvest in early 1990's and increases since 1998 were observed every forestry region, but in Sovgavan, Lower Amur and Amgun forestry region, where good accesses to port to export to Japan, the rate of decrease was relatively low and increases was high. With the increase of timber export to China, timber harvest of Chinese boarder area has also increased relatively high rate.

Currently, forest resources are leased to individual timber company through “arenda” system on the model of Canadian concession system. In this system, forest resources are leased be tender with term of 1-49 years and winning bidder has a right to harvest timber within limit of designated allowable cut. Application for tender are reviewed and selected by forest use committee of Khabarovsk Krai (Kakizawa and Yamane, 2002). The policy of commissions is aggravating of leases in the possession of big users, even creation of holdings (Sheingauz, 2001). These efforts had made increased the average area of lease lots in Khabarovsk Krai from 46.9 thousand ha in 2000 to 50.6 thou. ha in 2005, i.e. by 8%. The total leased accessible wood stock had increased from 574.9 million m<sup>2</sup> in 2000 to 670.4 million m<sup>2</sup> in 2005, i.e. by 16.6%, total AAC of leased lots – from 8.3 to 9.3 million m<sup>2</sup> m, by 12.0%.

The biggest increase had taken place in the leskhozoes where there are undeveloped forest tracts: Uktursk – by 114, Gorin – 80, Ulikan – 62, Urgal – 61, Nikolaevs – 32% etc. So, it manifests enlargement of lease lots. At the same time in the leskhozoes, where forests

resources are degraded due to logging activities, the average area of lots had decreased: Avansk – by 82, Nizhnetambov – 55, Kizin – 51, Oborskiy – 42, Komsomolsk – 32, Takhtin – 23% etc.

10 top leasers of 2005 are as follows. Five of them (Arkaim, Badzhalskiy KLPKh-2, Shelekhovsk KLPKh, Ros-DV, and Evoron LPKh) increased their indices, indices of two of them (Sredneamgun LPKh and Vega) remained almost stable, two of them (Rimbunan Hijau and Forest-Starma, which have common owner) had lost a part of leasing, and one of them (Chuin) is a newcomer. Their summary share in the krai's leased area, wood stock and AAC was 33–34% both in 2000 and in 2005. However, they increased their summary area by 22%, wood stock – by 14%, AAC – by 11%, and factual harvest – by 47%. This growth is higher than for all of the leased lots. Thus, enlargement of forest leasers in Khabarovsk Krai are evident for 2000–2005.

The list leasers contained 139 leasers in 2000, 45 of them (32%) did not appear in the list in 2005. At the same time 43 new leasers appeared in the list of 2005 and thus the list contained 137 leasers, 31% of which were new leasers. This means that although big timber companies have developed under current leasing policy, but still many of leasers are unstable and difficult to ensure long-term sustainable forest management.

#### **1.4. Conclusion**

In Khabarovsk Krai, active harvest was carried out area along Trans Siberian railroad and big rivers in Period I. Then it moves to the area along BAM railroad in Period II, and to adjacent area to export port and Chinese boarder in Period III. It could be concluded that timber development area was keep moving to pursue forest with good accesses and rich in resources. It should be also emphasized that these development was unsustainable and degraded forest resources were left after logging activities moved to another area.

## **2. MAJOR REVISION OF FOREST CODE OF RUSSIA**

Forest Code of Russia, the fundamental forest law of Russian Federation had been under review for full-fledged revision since 2002. Preparation of new law was first conducted by Ministry of Natural Resources (MNR) and then changed to Ministry of Economic Development and Trade (MEDT). After hot and complicate debate at Duma (Russian house of assembly), finally new Forest Code was moved through Duma, and President Putin signed it on December 8th. It came into effect on January 1st 2007.

### **2.1. Major content of new Forest Code**

#### **1) Ownership of forest.**

Ownership of forest has been always the controversial issue in Russia. In 2004, MEDT drafted Forest Code which opened the private ownership of forest. It prescribed that after 15 years of leasing, lease holder could own relevant leased land. However, it brought furious



opposition from public and MEDT had no other choice to withdraw this version of draft. Final version clearly stated that forest fund is under ownership of federal government. However, new code permits small parcel forest lot for privatization. Environmental NGOs are anxious about small parcel of forest will be privatized to build second houses.

Public's distaste for privatization of forest is quite strong and any attempt to introduce privatization of large scale forest land will be failed.

## 2) Decentralization of forest policy

Forest code of 1997 decentralized forest policy system compared to previous fundamental law, but management of forest and distribution of right to use forest was attributed to federal government. Under Yel'tsin administration, further decentralized forest policy system and some of local governments introduced their own distribution system of right to use (Kakizawa, 2002). However, Putin administration drastically changed policy direction and forest policy system became centralized one and local governments were forced to abolish their own distribution system (Sheingauz and Kakizawa, 2003).

New Forest Code gives authority of management of forest and distribution of right to use forest to local governments. Federal forest management organization will transferred to local government and forest management will be conducted under direction of local government. Authority to set fundamental direction of forest management is still in the hand of federal government, but new code clearly step forward decentralization of forest policy.

New forest code specified that fundamental unit of forest management is *lesnichestvo*. Under current forest management system, fundamental management unit is *leskhoz* and *lesnichestvo* is local branch of *leskhoz*. Intension of new forest code is unclear, and this discord of terminology might cause confusion.

## 3) Distribution system of right of use

Forest Code of 1997 defined the applicant for forest lease tender not only should submit bid price but also proposal for contribution for local economy and society, and their ability logging activities and forest management. However, New Forest Code defined that decision of winner of the tender is only based on bid price. Also, Forest Code of 1997 prohibit sub-lease, but new Forest Code deleted this article. There is concern that company with rich financial resources but no experience on forest management might bulk buying. But Russian government denied this concern because new Forest code introduced anti-monopoly article. Local communities concern that logging company stop contributing to local society.

## 4) Procedure to conduct logging activities.

Forest Code of 1997 defined that lease holder should negotiate with *leskhoz* about volume, species, and way of harvest annually, and need to get logging permission ticket from *leskhoz*. New Forest Code simplified this procedure, and leaseholder is obliged only to make forest use declaration annually based on forest development plan. Environmental NGOs concern that this make difficult to forest management body to control logging activities and to check illegal logging.

New forest Code also defined that lease holder is responsible for forest management of leased forest, but details is not unclear so far.

#### 5) Promotion of process of timber

New Forest Code created new type of forest use – “Forest use for processing wood and other forest resources” - intended to promote process of timber, as timber export of Russia is still log oriented one and development of timber processing industry is high-priority issue. However, new Forest Code did not give any additional measures for the development of timber industry, and thus it is doubtful that this article promotes further investment for processing faculties.

#### 6) New zoning of forest

Traditionally Russian forest was divided into three groups; first group is for forest protection, second group for protection of urban environment and forest deficit area, and third group for forest development. New Forest Code abolished this system and defined that forest will be divided into protection, production and reserved forest.

### **2.2. Evaluation of forest code**

Major characteristics of new Forest Code could be summarized as market oriented and emphasize on promotion of logging activities and processing timber resources. It is partly because the Code was developed by MEDT. It is also pointed out that MEDT lacks knowledge on forest management and current management system, which resulted improper wording and confusion in articles. Member of Duma and official of MNR also admit that there are defectiveness on new Forest Code as administration hastened Duma to pass it. However it has also advantage that procedures for auction was clearly defined and anti-monopoly articles was introduced.

It is very difficult to forecast the influence of new Forest Code on forest management at this time. There are bunch of very real problems to carry out this new Forest Code. Firstly, federal budget for 2007 does not include any expenses to carry out the Code, and MNR and local government will face financial problems. Secondly, to carry out this code fully, 56 normative documents should be developed and 24 decrees and 32 orders should be revised. 12 laws are contradicting with this code. In this sense, it takes time to carry out this code and also unclear how actually the code will implement. There has been frequent policy change and reorganization, so the organization engaged in forest policy and management was exhausted and weakened. It could not expect that the new Forest Code bring bright future for forest management in Russia at least the near future.



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