

PARTNERSHIP AND CONSOLIDATION — THE WAY OF THE RUSSIAN FORESTRY INDUSTRIAL COMPLEX

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Globalization is a process that has no sector limitations and thus it is relevant for the forestry industrial sector as well as for metallurgy or oil industries. Tendencies are explicitly stated – taking into account the permanently increasing margin in the Pulp and Paper sector, low costs become the determinants of competitiveness. Those who are able to produce goods of required quality with minimum expenses finally will be the winners in this protracted battle for leadership, at times even for survival. Considering the capital intensity of the sector and the fact that return on investments is above 10 years, only huge vertically-integrated structures can bear such increasing competition.

The Russian forestry industrial complex doesn't yet contribute a lot to the production of forest products globally, though it has opportunities. At the same time, we can clearly observe a crisis in the countries – classic producers of timber goods – Canada, the USA and Finland. Production of pulp and board is shifting to the countries with low costs, basically to South America and South-Eastern Asia. This process doesn't apply to Russia yet – not a single Pulp and Paper facility with participation of foreign capital has been constructed here. It is typical that only those projects are implemented that imply the creation of production facilities:

mechanical wood processing requiring no serious expenses, or the construction of mills for the production of corrugated packaging. Meanwhile, Russia, possessing huge resources of unexploited forests, comparatively low costs for personnel and relatively low expenses, plus very convenient geographical location, is able to become a leader in the global forestry industrial complex. This market that annually increases its volume of consumption, becomes more and more attractive for foreign strategic investors. Such companies as International Paper, Mondi, Stora Enso, UPM and others, successfully function here. The largest Russian company that has declared its plans