

KARELIA: HABITAT OF THE FOREST

GENERAL

The Republic of Karelia is a part of the northwestern Federal District of Russia belonging to the far northern regions and similar areas. As of January 1, 2004, the territory of Karelia including the water areas of the White Sea gulf, the Ladoga and Onego lakes, was 180.5 thousand km². The population is 708.7 thousand people; its density is 3.9 persons per km².

In the west, Karelia borders Finland, in the south – the Leningrad and Vologda regions, in the north – Murmansk, in the east – the Arkhangelsk region, in the north-west it is washed by the White Sea. The republic stretches from the north, southwards, and its length is about 660 km. According to the State Forest Inventory, the Karelian forest area as of January 1, 2005 was 14,824.1 thousand ha (i.e. more than 50% of the total territory of the republic). Nearly one third of these forests are bogs and wetlands.

The regional timber industry accounts for about 40% of the region's industrial output. Timber companies employ nearly half of all persons in the Karelian industry. These enterprises possess more than 41.3% of the region's industrial assets. Karelia's share in the national paper production is 22.2% and more than one third in newsprint. In 2004, exports were 94.7%, of the total production volume of Karelia's timber industry. As for commodities, the largest part of the region's export costs was brought by un-edged timber (58.9%).

FOREST RESOURCES

According to the Forest Code of the Russian Federation (approved by the State Duma on 01.22.1997, read with Federal Law № 116-FZ of 07.25.2002, № 171-FZ of 12.10.2003, as amended by Federal Law № 194-FZ of 12.30.2001, № 176-FZ of 12.24.2002, № 186-FZ of 12.23.2003, № 199-FZ of 12.29.2004, № 199-FZ of 12.31.2005) Russian forests are federal property (Art.

19). Meanwhile, Federal Law "On Introducing Amendments to Some RF Legislative Acts in Connection with Perfection of Division of Powers," № 199-FZ of 12.31.2005 prescribes the transfer of forests to Russian Federation subjects starting from 1.01.2007 for exercising the rights of property, use, management, protection, guarding and regeneration of the Federal Budget's account (Art. 15). Most Karelian forests (96.9%) are federal property, which aggravates the problems of forest use, such as the transition of forestlands, allocation of land strips for forest road construction, introduction of regional forest use rules, etc. However, the neighboring northwestern regions have been much more successful in handling these matters than Karelia. For example, the Natural Resources Department of the Vologda Region permitted low-quality aspen trees to remain during harvest, because cutting these trees is economically and environmentally unfeasible. Nevertheless, since the beginning of 2006, representatives of the Karelian government have been holding consultations with regional timber companies regarding work under the process of the partial decentralization of forest management. The condition of regional forest resources as well as problems and prospects of the Karelian timber industry after 2007 were discussed at the seminar "Regional Opportunities of Forest Management in the Republic of Karelia: Problems and Prospects," which took place on January 25, 2006.

Experts proved that to make reliable forecasts of the development of the Karelian timber industry they will need a reappraisal of available information on the republic's forest resources aimed at specifying the areas of non-productive and economically inaccessible stands in the forest funds of Karelia to be excluded from harvesting. At present, the federal forestland area in Karelia is 14.5mln ha (82% of the region's area), including the forested area of 9.2mln ha (Table 1).

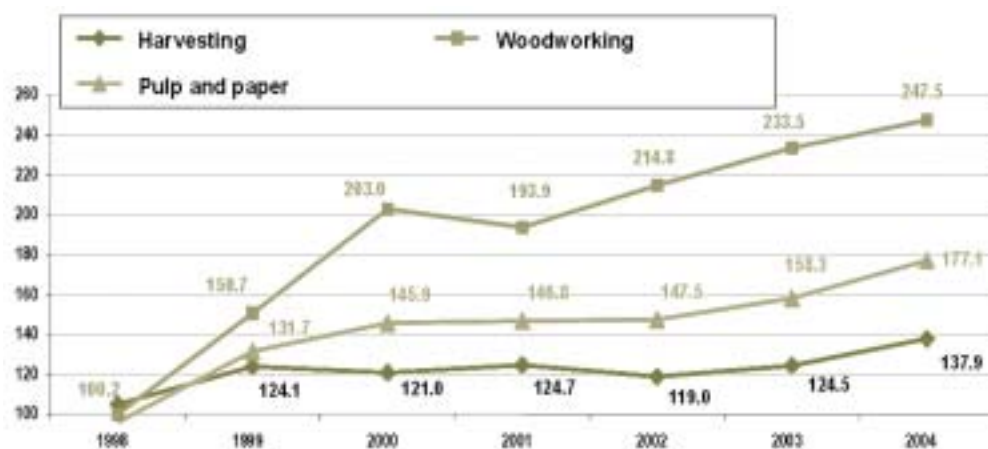


Fig. 8. Indices of Physical Production Volume in the Timber Industry (%) against 1998

up 138.2mln rubles. Two thirds of enterprises bear losses regarding harvesting operations. According to the preliminary report, only four companies managed to make profits in 2005, with an average efficiency of 5%. Company heads say that lower indicators are accounted for by the growing ruble-dollar rate, increased prices of energy carriers and transportation tariffs. In the meantime, nine months of 2005 showed a significant rise of pulp and paper production volume against the same period in 2004: pulp – by 19.3%, paper – 12%, cardboard – 61%, paper bags – 19%. The balance profit grew from

31.2mln rubles (January-September, 2004) up to 978.9mln rubles, or nearly 30 times.

At the meeting of timber companies' top managers held on October 19, 2005, the representatives of the Karelian government required that forest companies logging timber under leasehold agreements fulfill development and tax obligations (fixed in business plans and other relevant documents regarding the lease of forest areas via bidding during 2004-2005), and promised that those who failed would lose their leaseholds [5].

Table 3. Production Volume of Major Product Types

Product Type	Measurement Units	1998	1999	2000	2001	2002	2003	2004
Timber Extracted	thsd m ³	4,468.5	5,946.7	5,652.6	5,852	5,940.4	6,097.4	6,730.6
Sawn Timber	thsd m ³	489.1	743.8	931.1	804.5	722.8	741.0	759.7
Glued Plywood	thsd m ³	1.2	12.2	16.1	20.6	22.1	22.7	19.2
Pulp	thsd t	34.3	64	72.5	73.3	73.7	80.8	89.8
Paper	thsd t	518.9	659	724.7	700	711.1	758.9	862.4
Including Newsprint	thsd t	416.3	509.9	540.5	533.4	534.2	573.6	693.2
Cardboard	thsd t	6.5	9	44.5	82.8	63.1	64.9	54.1
Paper Packs	mln pieces	142	199.6	178.2	195.1	235.9	269.0	257.9

Table 4. Main Indicators of Karelian Timber Industries, 2000-2004

	2000	2001	2002	2003	2004
Number of Operating Enterprises as for the End of the Year	636	493	515	525	525
Production Volume, mln rubles	14,113.1	14,600.0	15,598.4	17,601.4	19,955.2
Share in the Total Volume of Industrial Production of Karelia, %	55.8	48.7	45.2	45.3	41.2
Average Annual Personnel Engaged in Production, Persons	43,336	44,222	42,665	38,651	34,061
Average Aggregate of Monthly Salaries of Production Personnel, thsd rubles	3,022	3,597	4,368	5,400	6,673
Main Assets (overall reported value) as for the End of the Year, mln rubles	6,885	9,237	10,378	13,460	16,702
P&L Account (profit (+), losses (-)), mln rubles	2,231.7	2,067.1	667.8	-143.2	-259.3