Russian wood export restrictions

Access to raw materials is vital for European pulp & paper industry’s competitiveness

The European pulp & paper industry has significantly increased its imports of wood from Russia over the last years, to the extent that for some countries / companies Russia represents an essential source of raw materials.

As recently said by Commissioner Mandelson: “Access to raw materials - not just metals and materials, but wood and hides – is a vital issue for the competitiveness of our industry […]” Some countries still impose unjustified restrictions on raw materials trade through export tariffs and other measures – which unbalances the global trade in these important goods. The EU uses its bilateral trade relationships to remove these barriers and seeks similar removals through the WTO agenda.

Regarding wood procurement in Russia, export duties on softwood were already raised on 1 June 2006 from 2.5 to 4 euro/cubic meter. The Russian government has decided to increase the export duty levied on roundwood timber from 4 euro to at least 10 euro per cubic metre. These changes will take effect on 1 July 2007. From the beginning of April 2008, the export duty on roundwood timber will increase to 15 euro per cubic metre; a further increase to at least 50 euro per cubic metre is scheduled for the beginning of 2009. The potential cost of the export duties foreseen from July 2007¹ for the European Forest-Based Industries over the whole period 2007-2011 could be up to 2 billion euros and could threaten thousands of jobs!

Imposing extra duties on wood exports will increase Russian revenues on the short term but on the long-term it will reduce the demand from the European companies and will have little chance to draw European companies’ investments. The extra duties on wood exports will be seen as a sign that legislation and rules can be changed on a short notice. It gives the signal that Russia is not a stable environment for trade and investments and could definitely hamper the planning of international investments in Russia, which requires inter alia well ahead planned wood procurement systems.

Simultaneously, European pulp & paper markets are fully open to Russian imports contrary to Russian pulp & paper markets, which access are restricted because of tariffs, with an average rate close to 15%.

¹ Up to 50 euro/cubic meter by the year 2011 according to Regulation N°75 issued by the Russian Federation Government on 5 February 2007. This regulation adds extra cost on wood exports, which are also restricted by additional and numerous non-tariff barriers.
The combination of restricted access to raw materials and finished products markets is highly detrimental to the European pulp & paper industry’s competitiveness, which requires a level playing field to further develop in an increasingly globalised world.

The European pulp & paper industry, as most of the European business community, supports the accession of Russia to WTO as it would give a legal frame to trade and investment relationships between the EU and Russia and would require from Russia the endorsement of the basic WTO requirements and the implementation of its basic rules, like any other WTO member.

As far as the WTO accession of Russia is concerned, the decision to impose huge tariffs on wood exports does not comply with the bilateral agreement negotiated in 2004 between the EU and Russia, either. It is of the utmost importance that the EU sticks to this bilateral agreement in order to guarantee the further liberalisation of trade and to promote investments between the EU and Russia.

Finally, this very serious threat on wood procurement from Russia, should be considered as an incentive to increase wood mobilisation and wood supply within the European countries.

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The European pulp and paper industry key figures:

- It is composed of 830 companies and 1,220 mills
- It has a turnover of 75 billion Euro and a value added of 20 billion Euros
- It employs some 270,000 people directly and provides indirect employment to some 1.8 people
- It produces some 100 million tonnes of paper and 42 million tonnes of pulp
- It represents 28% of the world production
- It exports 15 million tonnes of paper, around 15% of its production
- Some 56% of the paper and board consumed is recycled
- It is part of the Forest-Based Industries, which has a turnover of 375 billion euros, i.e. 6.5% of the European manufacturing industry’s turnover