



## Building a Better Business Through Responsible Purchasing

### A Brief for U.S. Companies Purchasing Forest Products from China and the Russian Far East

Do you know where your wood comes from? Has it been harvested responsibly from well-managed forests, or unsustainably, contributing to the demise of the majestic Amur (Siberian) tiger and the world's rarest cat, the Amur leopard? There are many business benefits to be gained from implementing responsible wood and paper purchasing practices, including stronger supply chain relationships, effective risk management, enhanced brand integrity, and increased customer loyalty. At the same time, responsible purchasing helps sustain natural forests and the communities and wildlife that depend on them.

Forests in the Amur-Heilong watershed, particularly those in the Russian Far East, are under tremendous pressure to supply timber to meet growing global demand for wood products. The vast majority of logs harvested from this region are exported for manufacturing to neighboring China, the world's largest importer of logs and exporter of finished wood products. The bulk of China's manufactured products are then shipped to the United States, the world's largest consumer of wood products and China's top destination for wood product exports. Increasing demand for this timber over the last two decades has fueled illegal and unsustainable logging in some of the Amur's most valuable and threatened forests.

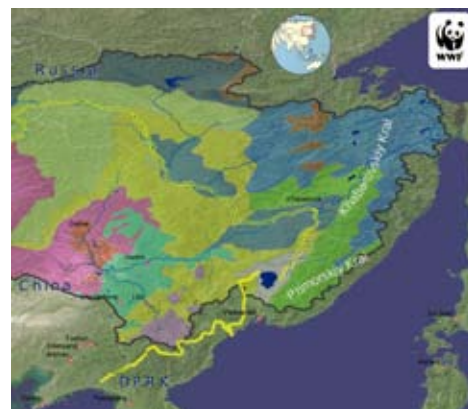
#### Illegal Logging

The term "illegal logging" applies when forest products are harvested or traded in violation of national or sub-national laws. WWF uses the term "illegal logging and forest crime" to include large-scale and small-scale timber theft, transfer pricing, breaching of tax rules, illegal aspects of timber sourcing, and circumvention of timber concession agreements through bribery or deception.

Illegal and unsustainable logging causes significant and often irreparable damage to the environment, local communities and economies. It also can have a devastating effect on wildlife. Illegal loggers often target timber species in highest market demand, many of which are found in significant volumes only in priority conservation areas. Naturally, these areas – High Conservation Value Forests,<sup>1</sup> indigenous lands, national parks and reserves – are prime habitat for endangered wildlife.

Forests illegally harvested for timber often become degraded, if not destroyed, leading to soil erosion, flooding, landslides, reduced water quality, species extinction and forest fires. Forest loss also contributes to climate change: An estimated 18-20 percent of global carbon dioxide emissions result from deforestation. Continued forest loss in the Russian Far East will contribute significantly to global climate change, as these and neighboring Siberian boreal forests are second only to the Amazon in their ability to capture and store vast quantities of carbon.<sup>2</sup>

In addition to the negative environmental impacts, illegal logging engenders widespread corruption, undermines local governments, and can have devastating consequences for U.S. companies purchasing timber from overseas.



#### Amur-Heilong: One of Nature's Greatest Masterpieces

The vast Amur-Heilong watershed extends across northeastern Mongolia, northeastern China and the Russian Far East. Spanning an area only slightly smaller than the land mass of Alaska and Texas combined, the Amur-Heilong encompasses the Amur River, one of the world's longest free-flowing rivers and the longest undammed river in the Eastern Hemisphere. The Amur River (also known as the Heilong River in China) begins near the sacred mountain of Burkan Khaldun in northeastern Mongolia and flows 2,750 miles through Asia to the Sea of Okhotsk, forming a natural boundary between China and the Russian Far East.

Winding through a remarkable fabric of forest, steppe grassland and taiga landscapes, the Amur-Heilong harbors an incredible array of wild species, many of which are found only in this region. Here are the world's sole population of Amur leopards, the last 500 Amur tigers, as well as red-crowned cranes and the Siberian taimen, the world's largest salmon. Old-growth deciduous and coniferous forests contain a rich variety of species including Korean pine, oak, ash, walnut, birch, maple and fir. In addition to supporting many threatened and endangered species, the Amur River and watershed sustain the livelihoods of European and Russian emigrants, and of indigenous communities such as the Nanai and Udege, by providing food, water and other natural resources.



### China: The Russian Far East-U.S. Connection

- China is the world's second largest importer of forest products behind the U.S., and its industrial wood consumption continues to soar. Between 1993 and 2003, timber import volumes more than tripled, amounting to 94 million cubic meters in 2003.<sup>9</sup>
- Russia, China's single largest source of wood-based products, supplied China with nearly 27 million cubic meters of wood in 2005, representing 49 percent of China's wood imports and 68 percent of its logs.<sup>10</sup>
- China is the world's largest exporter of wood products, valued at more than \$17 billion in 2005.<sup>11</sup>
- Most of China's wood product exports are shipped to the U.S.; in 2006 \$10.5 billion worth of wood was exported from China to the U.S.<sup>12</sup>
- Furniture represents one of the top categories of U.S. imports from China; in 2005 the U.S. imported 40 percent of China's wooden furniture exports.<sup>13</sup>
- Much of the ready-made furniture imported into the U.S. from China originates from Russian wood species including Russian poplar and birch.<sup>14</sup>

### Illegal and Unsustainable Logging and Trade in the Amur-Heilong

In 1996 and 1998, deforestation resulting from unrestricted logging of China's natural forests contributed to severe flooding of the Yangtze River, leaving thousands dead and millions homeless. The government responded by imposing regional logging bans and restrictions, leaving China looking to neighboring countries – including Russia, Malaysia, and Indonesia – for its timber supply. This in turn negatively impacted many natural forests in those places.

While actual numbers vary, estimates suggest anywhere from 20 to 70 percent of logging in the Russian Far East is illegal, depending upon the region.<sup>3</sup> Percentages tend to be higher in more isolated regions where government oversight is most limited.

Illegal logging in Russia escalated after the collapse of the Soviet Union, which left the Russian economy, including its forestry sector, unstable. The shift to a market-based economy, with a newly privatized forestry sector, led to sudden and widespread unemployment and left the Russian forest service grappling with the development of regulations that reflected this new business model.<sup>4</sup>

Newly opened borders and increased global demand for hardwoods exacerbated the problem, and logging towns quickly sprang up on trade routes along the border with China, including in the Primorsky and Khabarovsk Krai regions. Some experts believe these regions have the highest rates of illegal logging in all of Russia.<sup>5</sup> Forests in these areas are targeted particularly for their abundance of species in high market demand – including ash, Korean pine, and oak, which compete with species found in the U.S.

Illegal loggers are able to harvest timber at a fraction of its value, and thus can outcompete legal forestry operations by selling the most competitively priced timber on the international market. It is estimated that illegal timber trade depresses world timber prices by an annual average of 7 to 16 percent, and U.S. prices by 2 to 4 percent, depending on the type of product.<sup>6</sup> If current timber harvesting rates in the Russian Far East continue, economically viable quantities of wood from these forests are expected to be depleted in the next 20 years,<sup>7</sup> negatively impacting the integrity of these forests and the wildlife they support for years to come.

The environmental impacts of illegal and unsustainable logging can be severe. Construction of new logging roads opens access to previously remote tracts of forest, exposing these areas to widespread deforestation and forest fires. These previously inaccessible forests become goldmines for poachers of Amur tigers, leopards, Asian black bears and other rare wildlife. In addition, selective logging and habitat degradation depletes vital prey species for the Amur tigers and leopards, driving these species even closer to extinction.

Illegal logging operations also negatively affect national economies. Estimates suggest the Russian government loses more than \$1 billion annually to illegal logging and trade. Illegal loggers often falsify documentation to avoid paying appropriate taxes, royalties and fees that would otherwise support and properly manage legal forestry operations. The ability of forest owners and operators to effectively implement forest management plans is short-changed by nearly \$54 million annually.<sup>8</sup>

U.S. companies purchasing timber from the Russian Far East, either directly or via China, should be concerned not only about depressed timber prices and the decline in the availability of certain timber species, but also about the serious risks associated with potentially being connected to the illegal logging practices running rampant in the Russian Far East.

## Purchasing Responsibly Sourced Forest Products

Companies that adopt responsible wood product purchasing policies are taking a leadership role in supporting responsible management of the world's remaining forests. They also help to protect the wildlife and local communities residing in those forests. This is especially important given the passage of the amended U.S. Lacey Act, which bans the import and sale of illegally harvested plants and their products, including wood and timber, into the United States. Companies that use their purchasing power in favor of credibly certified and responsibly sourced forest products will encourage wood exporting countries to adopt and rigorously enforce responsible timber harvesting and trade laws. U.S. companies can accomplish this through WWF's Global Forest & Trade Network (GFTN).



GFTN is WWF's initiative to eliminate illegal logging and improve the management of valuable and threatened forests. By facilitating trade links between companies committed to achieving and supporting responsible forestry, GFTN creates market conditions that help conserve the world's forests while providing economic and social benefits to the businesses and people that depend on forest resources.

GFTN works with forest managers and manufacturers in the Amur-Heilong, including China and the Russian Far East, who are committed to responsible forest management and trade. GFTN participation provides producers and suppliers the technical support and expertise they need to achieve credible certification. While some suppliers may need time before they can offer credibly certified products, their progress will be ensured through regular monitoring by GFTN.

U.S. buyers can learn more about committed companies in the Amur-Heilong by working through WWF's GFTN-North America. GFTN-North America assists purchasers that source significant amounts of wood-based products from the world's most valuable and threatened forests to increase the proportion of credibly certified products within their supply chains. It is among over 30 regional branches of GFTN that span the Americas, Europe, Africa and Asia-Pacific. Because U.S. buyers source their forest products from all over the globe, GFTN-North America works worldwide, including in the Amur-Heilong, to help companies obtain responsibly harvested and credibly certified forest products.



### Credible Certification

Credible forest certification ensures that forest products originate from well-managed forests that meet rigorous environmental and social standards. GFTN supports a credible certification system that includes

- participation of all major stakeholders in an internationally recognized standard
- compatibility between the standard and globally applicable principles that balance economic, ecological and social values of forest management
- an independent and credible mechanism to verify the achievement of these standards, and communication of results to all major stakeholders

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## The WWF Mission

WWF's mission is the conservation of nature. Using the best available scientific knowledge and advancing that knowledge where we can, we work to preserve the diversity and abundance of life on Earth and the health of ecological systems by

- protecting natural areas and wild populations of plants and animals, including endangered species
- promoting sustainable approaches to the use of renewable natural resources
- promoting more efficient use of resources and energy and the maximum reduction of pollution

We are committed to reversing the degradation of our planet's natural environment and to building a future in which human needs are met in harmony with nature.

We recognize the critical relevance of human numbers, poverty and consumption patterns to meeting these goals.

### Learn more about WWF at [worldwildlife.org](http://worldwildlife.org)

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- <sup>1</sup> High Conservation Value Forests (HCVFs) are defined as forests of outstanding and critical importance due to their environmental, socioeconomic, biodiversity or landscape values.
- <sup>2</sup> Kemper, Steve. "Forest Destruction's Prime Suspect." *Environment: YALE*, Spring 2008.
- <sup>3</sup> Sheingauz, Alexander. 2004. "Overview of the Forest Sector in the Russian Far East: Production, Industry and the Problem of Illegal Logging." *Forest Trends*. ISBN 1-932928-03-0.
- <sup>4</sup> Seneca Creek Associates and Wood Resources International for the American Forest & Paper Association. 2004. "Illegal Logging and Global Wood Markets: The Competitive Impacts on the U.S. Wood Products Industry."
- <sup>5</sup> Sheingauz, 2004.
- <sup>6</sup> Seneca Creek Associates, 2004.
- <sup>7</sup> Northway, Steven and G.Q. Bull. 2007. "China and Forest Trade in the Asia-Pacific Region: Implications for Forests and Livelihoods." *Forest Trends*. ISBN 978-1-932928-25-9.
- <sup>8</sup> WWF Forest Programme. 2007. "The Russian-Chinese Timber Trade: Export, Supply Chains, Consumption, and Illegal Logging." World Wildlife Fund.
- <sup>9</sup> Chunquan, Zhu, F. Guoqiang, and R. Taylor. 2004. "China's Wood Market, Trade and the Environment." World Wildlife Fund.
- <sup>10</sup> White, Andy, et al. 2006. "China and the Global Market for Forest Products." *Forest Trends*. ISBN 1-932928-21-9.
- <sup>11</sup> Kemper, 2008.
- <sup>12</sup> Environmental Investigation Agency. 2007. "Attention Wal-Mart Shoppers."
- <sup>13</sup> White, et al. 2006.
- <sup>14</sup> Environmental Investigation Agency, 2007.

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