forestry will remain. Unless serious fundamental changes are made to the legislation, the main causes of illegal enforcement is the seizure of machinery used for illegal felling. Unless serious fundamental changes are made to the legislation, the main causes of illegal enforcement was promised, the process was suspended and instead the government is focusing on improving the existing legislation without making any fundamental changes. Presently the only step towards better law enforcement was discovered. An external expert advisory group estimated that at least one third of the forest thefts as measured by volume are unrecorded. Due to the uncontrolled increase in logging, a general forest policy was adopted in 1997. The Forest Act elaborated on the basis of this policy abolished the requirement for management plans and felling permits, cancelled the monitoring and supervisory system and left no system in place to get accurate forestry statistics of harvests in private forests. The resulting chaos and lack of transparency enabled the spread of illegal forestry to continue unchecked.

In addition, current taxation does not take into consideration the specific structure of Estonian forest ownership. Private forest owners have to pay tax at 59 per cent of the profit gained from timber sales and only legal entities are eligible to apply for tax abatements. The motivation for tax avoidance is therefore very high and the risks are low.

What does the government say?

According to the official statistics of the Environmental Inspectorate, the amount of illegal timber harvesting is minimal, as only timber theft and some violations of local forestry legislation are taken into consideration. Due to a lack of law enforcement only a small proportion of illegal forestry activity is discovered. An external expert advisory group estimated that at least one third of the forest thefts as measured by volume are unrecorded.

After the elections in 2003, the new government coalition declared forestry as a priority area for improvement. While a new solid forest act and strict law enforcement was promised, the process was suspended and instead the government is focusing on improving the existing legislation without making any fundamental changes. Presently the only step towards better law enforcement is the seizure of machinery used for illegal felling. Unless serious fundamental changes are made to the legislation, the main causes of illegal forestry will remain.

Next Steps

Pressure needs to be placed on the EU and its member states and trade partners to achieve the following:

- To recognise at EU level that illegal timber is a serious problem in Central and Eastern Europe. An action plan needs to be developed to establish legally binding obligations to reduce the amount of illegal timber produced by the EU states as of May 2004.
- To mandate strong mechanisms to control the origin of timber traded in the EU, including proof of legality and chain of custody verification.
- To develop legal means for prohibiting export and trade of illegal timber from Eastern-European countries in political and economic transition.
- To provide strong requirements for FSC Certification on forestry products from countries with weak laws and law enforcement.
- As high pressure from the timber industry is disturbing the capacity of local enforcement bodies of the Natura 2000 process, a strong official outside monitoring of Natura 2000 and other protected areas has to be implemented at the EU level.

The following points are critical to combat illegal forestry in Estonia and should be required from buyers of Estonian wood as well as the EU and other political stakeholders.

- The new Estonian forest legislation needs to be quickly endorsed and implemented.
- A transparent monitoring system for forest resource management has to be created and implemented as soon as possible.
- The taxation policy of forestry profits has to be critically reviewed and appropriate solutions need to be found and implemented.
- Capacity and motivation of supervisory bodies needs to be enhanced.
- Efficient law enforcement and implementation of higher penalties has to be ensured.

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What is illegal forestry?

As in many other Eastern-European countries in socio-economic transition, illegal forestry is a big problem in Estonia. Bad laws, weak law enforcement, corruption and developing market economy are all catalysts for the exploitation of natural resources for quick profit. About 50 per cent of the timber produced in Estonia is estimated to originate from illegal activities.

Illegal forestry is a general term, which refers to the various violations related to timber and forestry. It is considered in this report as any activity or phenomenon targeted towards illegally gaining benefits from the forest. Besides direct violations such as illegal logging (or illegal felling), now becoming recognised by various institutions, there are other widely practised acts of illegal forestry such as tax fraud and illegal timber trade, all common in Estonia (for more information see www.roheline.ee/mets; www.taigarescue.org).

Did you know?

Estonia is one of the very few countries in Europe where harvest rates firmly exceed the annual growth rate. The state forest, where management intensity is at the verge of sustainable limits (excluding protected areas), harvests 2.6 million m³ from almost 0.9 million ha of managed forests. At the same time almost 10 million solid cubic meters is harvested from less than 800 000 ha of private forests in active use.

Did you know?

Estonia annually loses around 20 million EUR through forest fraud. This amounts to approximately 1 per cent of the total Estonian annual budget in 2002.

Forest property in Estonia

Out of the total 2.2 million ha of forests more than half is managed by the Estonian State Forest Management Center (RMK) which acquired internationally recognised certificates of sustainable forest management (FSC) and ISO 14 000 certification in early 2002.

The other fifty percent of Estonian forest land is privately owned. More than half of the owned forest units registered are below 5 ha in size. This results in many private forest owners avoiding regulated forestry management practices.

Illegal logging takes place almost entirely in private forests, with the exception of some forest theft on remote state lands.

Estonian timber exports

Of the estimated 12 million m³ of Estonian timber cut in 2002, only 7.5 million m³ was officially recorded by the Estonian Statistical Office. More than half of this was exported to EU countries - including illegally cut timber. Scandinavian countries together with the United Kingdom and Germany account for a major part of all Estonian exports via direct sales or with the help of Scandinavian bulk purchasers.

Table 1. The largest importers of Estonian timber in 2002

<table>
<thead>
<tr>
<th>Country</th>
<th>m³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>1 831 489</td>
</tr>
<tr>
<td>Finland</td>
<td>1 530 014</td>
</tr>
<tr>
<td>Norway</td>
<td>688 483</td>
</tr>
<tr>
<td>UK</td>
<td>445 859</td>
</tr>
<tr>
<td>Germany</td>
<td>351 280</td>
</tr>
</tbody>
</table>

Source: Estonian Forest Survey Center (table reflects selection of major timber product groups).

The total annual cut in Estonia has grown by more than five times during the past decade, from 2.4 million m³ in 1993, to more than 11 million m³ in 2003. Estonian NGOs and scientists estimate that the sustainable annual cut should not exceed 5 million m³.

Did you know?

The latest study of the Estonian Green Movement focused mainly on private forests. The study concluded that almost three quarters of the timber volume harvest from private forests in Estonia is likely illegal (see table 2 below). Assuming that no violations take place in State forests, this totals more than half of Estonia’s total annual cut (12 million m³ in 2002).

Table 2. Estimated share of timber related to various categories of law violations out of the total volume of timber annually felled from Estonia’s private forests.

<table>
<thead>
<tr>
<th>Category of violation</th>
<th>Million m³</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of required documentation</td>
<td>0.2</td>
<td>2</td>
</tr>
<tr>
<td>Overestimating the harvest</td>
<td>2.5–8.8</td>
<td>60–90</td>
</tr>
<tr>
<td>Overharvesting</td>
<td>5.9–8.8</td>
<td>60–90</td>
</tr>
<tr>
<td>Neglecting regeneration</td>
<td>4.6–9.3</td>
<td>60–90</td>
</tr>
<tr>
<td>Tax frauds</td>
<td>2.9–8.8</td>
<td>60–90</td>
</tr>
</tbody>
</table>

Did you know?

Estonian annual budge 1. The total felling from private forests for year 2000 has been used for calculations (9.82 million m³).

1 Source: The final report of the commission of prevention of illegal forestry, 2002

2. In reality the various types of illegal forestry overlap immensely. For example timber that has been felled without required documentation is also sold without paying taxes etc. The total estimate is based on expert evaluations and attempts to take the overlapping of illegal logging types into consideration.

Source: EGM Study 2003