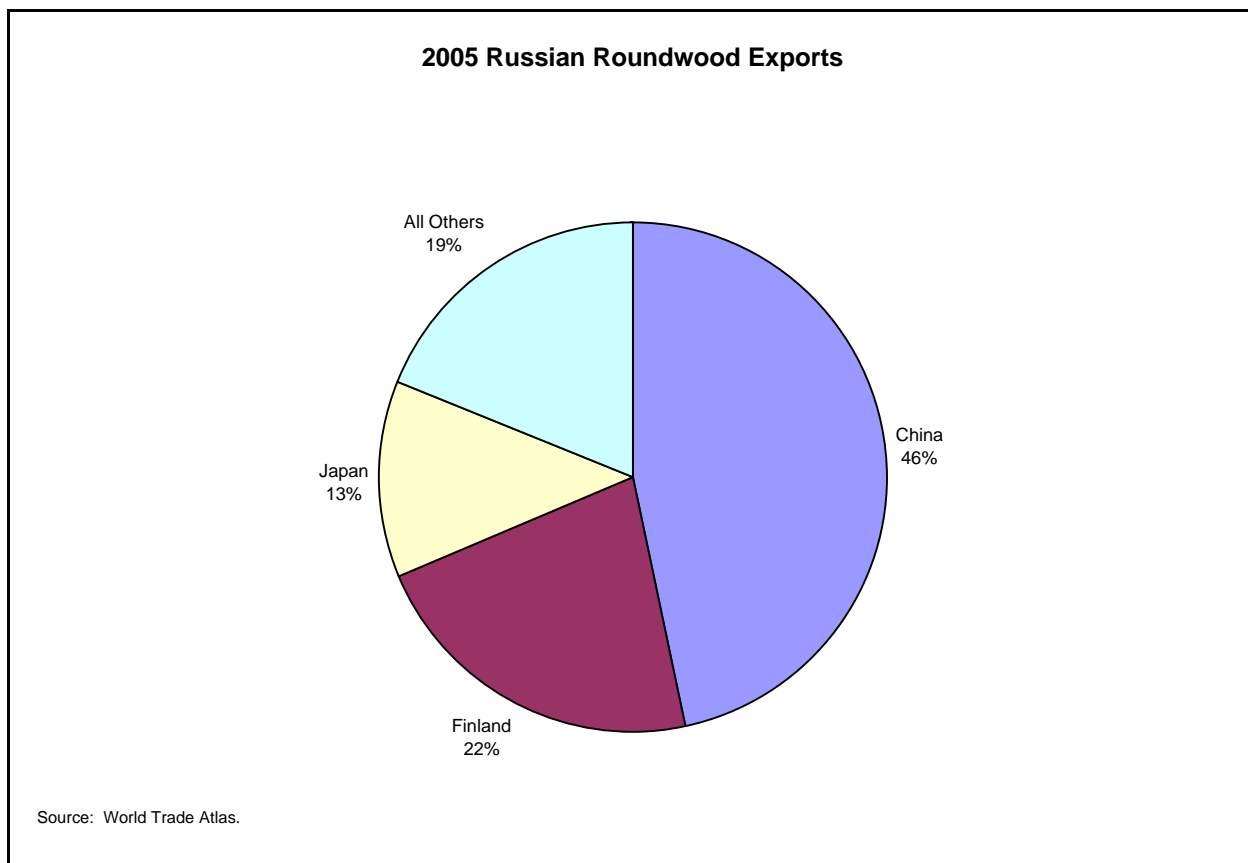


Russia Increases Export Tax on Logs

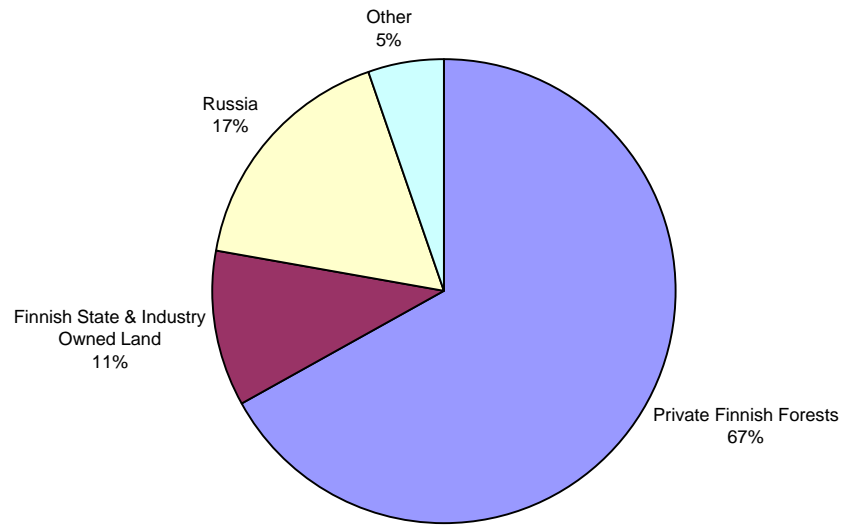
On March 24, 2006, the Russian Government issued Resolution #158 increasing export tariffs on roundwood. The new tariffs, which went into effect in June, increased the tax on Russian log exports by €1.5 to €4 per m³ (or to 6.5 percent, whichever is greater).

The new taxes are part of an effort to help reduce Russian exports of unprocessed wood and to develop Russia's wood processing sector, although traders remain skeptical about these new policy measures. According to President Putin, speaking at a meeting on Forests in April, "Our neighbors continue to earn billions of dollars relying on Russian timber. And we do so little to create proper conditions for wood-processing within the country." Russia is the world's largest exporter of roundwood, accounting for one quarter of world export value. In 2005, Russia exported nearly \$2.9 billion of roundwood.



Finnish wood processing industries are likely to be particularly hurt by the increased export tax. Imported wood has been vital to the Finnish industry, especially mills near Finland's border with Russia. Roughly 80 percent of Finnish log imports come from Russia and Russian logs make up as much as 17 percent of Finland's total roundwood supply. Analysts estimate that the tax increase will add €15 million to €20 million to Finland's wood-processing costs. The possible downstream impact on Finnish sawn softwood and paper exports is not yet clear. However, as the Finnish forest industry is highly export-oriented, selling 70 to 90 percent of production abroad, the increased Russian tax can only have a negative impact on Finland's international competitiveness.

Finnish Roundwood Supply



Sources: World Trade Atlas and Finnish Forest Research Institute.

For additional information, please refer to GAIN Report RS6019 and FI5002.