

## Shift of timber production towards the East – Challenges and threats for the forest sector in Europe

Forests contribute significantly to an overall sustainable development of society. Wood is a renewable material. An increased share of wood used as a renewable source of energy and the use of wood products contributes to the mitigation of global climate change. Forests provide essential environmental and social benefits such as recreational functions, ecotourism, biodiversity conservation, carbon sequestration, ecosystem functions (water, oxygen), development of rural and mountainous areas etc.

In Eastern European countries the use of natural resources plays an important role in economic recovery during the transition process towards a market economy. The forest sector can refer to skilled and low-cost labour, good access to Western Europe and Asian markets as well as to huge forest resources which are yet under-exploited. Outcomes of the FAO/UNECE European Forest Sector Outlook Study forecast a significant increase of net-exports of Commonwealth of Independent States countries (see Figure 1). While the focus is presently on roundwood exports, this will shift in the medium-term towards processed forest products such as paper, furniture and construction tools.

In Central and Eastern European Countries (CEEC), as a result of privatization and restitution of forest land, millions of small-scale forest owners have appeared. State forest administration is adapting to law enforcement and governance. There are economic potentials in this region to be recognized as well. In CEEC a shift from net-exports of forest products to net-imports is expected to take place.

In Western Europe (EU/EFTA region) the production of roundwood but also of forest products competes increasingly against imports mainly from the East. Net-imports are expected to double over the coming decades. At the same time demand for social and environmental benefits and services increases significantly. This is a challenge for forestry land use in Western Europe.

Besides the prosperity and future economic potentials there are threats to forest ecosystems to be acknowledged. Illegal logging is partly driven by poverty in rural areas, but also by unscrupulous profit seeking. It creates unfair competition on the forest products markets. While from a national perspective the sustainability might not yet be in question there is significant damage in local areas and to rare tree species.

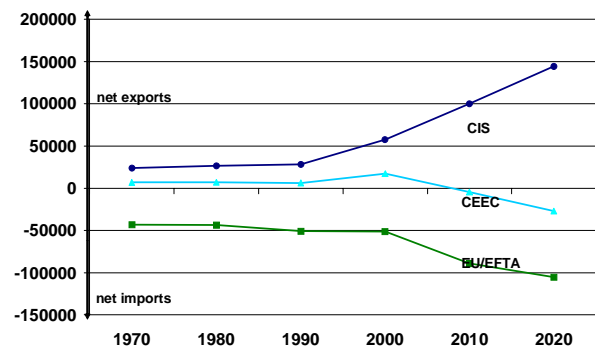


Figure 1: Historical and future development of net trade of forest products (roundwood, pulp, sawnwood, panels, paper) in Europe in million m<sup>3</sup> E.Q (equivalent volume of roundwood that would be needed for the production of the processed product). Net trade = Consumption-Production.

FAO has met the challenges and concerns in Europe by focusing on forestry issues in Eastern Europe. Main activities in this region are:

- Assistance to forest owners and small scale forest industry enterprises,
- Strengthening the policy and institutional framework of the forest sector and support to state forest management,
- Foster data and information exchange.

Technical assistance to forest management is provided in framework of the Technical Cooperation Programme (TCP), funded by resources of the FAO Regular Programme (see Box 1). FAO also initiates extra budgetary projects such as Government Cooperative Programme (GCP, usually financed by an industrialized country), and Unilateral Trust Fund (UTF) projects that are financed by the recipient countries themselves, or from proceeds of

loans, credits and grants made by International Financing Institutions, (see Box 2). These activities are carried out by FAO Headquarters and its decentralized offices in close collaboration with the countries.

With regard to FAO forestry activities in Europe the FAO European Forestry Commission (EFC) acts as a policy forum to identify emerging policy issues in the region and advice FAO. During its biannual sessions it reviews recent developments in forest policy instruments and institutions. It represents the major intergovernmental FAO body on forestry issues in Europe.

A significant part of FAO activities in Europe is implemented through the Joint Programme of Work of the FAO European Forestry Commission and the UNECE Timber Committee ([www.unece.org/trade/timber](http://www.unece.org/trade/timber)). The programme is carried out in close collaboration with the national governments, various Directorates-General of the European Commission and the Ministerial Conference on Protection of Forest in Europe (MCPFE, [www.mcpfe.org](http://www.mcpfe.org)). MCPFE is the political forum for the dialogue on European forest issues between European governments, nongovernmental and intergovernmental organisations. It addresses common opportunities and threats related to forestry and promotes sustainable management of forests in Europe.

The Joint FAO/UNECE Program of Work includes currently the following five areas of work: (1) Forest Products Markets and Statistics, (2) Forest Resource Assessment and Indicators of Sustainable Forest Management, (3) Forest Sector Outlook Studies, (4) Social and Cultural Aspects of Forestry, and (5) Policy and Cross Sectoral Issues.

**Box 1: Support to the Design and Development of Innovative Forest Management Schemes**

*Hungary is one of the least forested countries in Europe. The forests are predominantly composed of slow growing broadleaved species. Around 60 percent of the forest area is owned by the state and managed by 22 shareholding forest enterprises. Clearcutting is the major silvicultural system and most forests consist of a mosaic of even-aged stands. Due to the adverse physical conditions and lack of marketing expertise, the forests products consist mainly of low quality wood primarily used for energy purposes. Demand for timber is steadily declining, reflected in lower prices and the closing down of wood processing plants, while maintenance and regeneration costs are increasing resulting in falling revenues for the forest enterprises and private forest owners. Forest enterprises are now motivated in diversifying their portfolio responding to declining profitability in their core business and to the increased public demand to open forests for recreation and environmental protection. In this context, the Government requested FAO's assistance to the forestry sector in adjusting its management approaches to market economy conditions.*

**Box 2: Support in Implementing a Forest Sector Development Programme in Kosovo**

*Forest resources in Kosovo have over a long period of time been overexploited, resulting in considerable losses of capital and employment opportunities. This negative trend was worsened by the chaotic situation after the war period 1998/99, which resulted in collapsing institutional structures leading to many illegal activities and improper management of forest resources. The forest sector therefore receives assistance with the objective of supporting the implementation of initiated forestry development work oriented towards securing a sustainable utilization of the forest resource base. Support is directed towards crucial areas of forest sector development as participatory processes in law enforcement, further strengthening the function of Kosovo Forest Agency (KFA), training on forest management and administration, training in policy analysis and sector planning, private sector development and rehabilitation of forest industry. These interventions, tailored to the actual as well as the future development needs, will be integrated to the ongoing reconstruction process and in this way ensure the sustainability of the project.*