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Ås

Economic Effects of Russian Customs Programme for Roundwood Exports on Eastern Finland and the Republic of Karelia

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Abstract

Using input-output –method, this study evaluates income and employment effects of Russian customs programme for roundwood exports on both the wood working and the pulp and paper industry in Eastern Finland. In 2006, the shares of domestic and imported roundwood of the total wood use in Eastern Finland were 58 and 42 percent, respectively. Four different scenarios of roundwood import reduction and two different possibilities to increase domestic roundwood procurement were analysed. Due to lack of data, similar effects for the Republic of Karelia were calculated using two alternative scenarios to compensate reducing exports.

The results indicate that forest industry, together with multiplier effects on other sectors, in Eastern Finland is facing considerable structural changes if the custom tariffs programme for roundwood exports from Russia is fulfilled. The key issue for the development of employment and incomes in Eastern Finland's forest industry is how the domestic wood procurement or roundwood imports from other countries can be increased to compensate the Russian roundwood imports. In the worst scenario with only limited possibilities to increase domestic wood procurement, unemployment will increase nearly six thousand and value of production will decrease even by two milliard euros. Even if domestic wood procurement can compensate the reducing roundwood export amounts to some extent, the employment will decrease by few hundreds of employees and the loss in production value will be in the range of tens of thousands millions to over one hundred million euros. The corresponding results for the Republic of Karelia due to the decreasing roundwood exports indicate also considerable increasing unemployment and decreasing value of output in regional economy, if the domestic production capacity especially in mechanical wood working industry is not able to increase production volumes. The unrealistic scenario, where mechanical wood working industry is able to double its production, results neutral effects.