



## Russian forests: The path of reform

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### ARTICLE INFO

#### Article history:

Received 5 December 2012  
Received in revised form 14 June 2013  
Accepted 16 June 2013  
Available online 21 August 2013

#### Keywords:

Forest  
Forest policy  
Russia  
Institutions  
Path-dependence

### ABSTRACT

We study reforms and institutional changes in Russian forestry from the time of Peter the Great to the present. Using archival materials and in-depth interviews with participants of the forest sector, we show the strong path-dependence of Russian forestry and how post-Soviet developments echo the reform patterns of previous centuries. The outcomes of numerous, mostly unsuccessful, forestry initiatives have been shaped not only by the common perception of forests as widely available low-value resources, but also by top-down state control, predominance of political targets over the socio-economic and environmental needs of local communities, as well as powerful informal social norms.

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### 1. Russian forestry today: key features and challenges

Russia is the most forest-rich country with about one fifth of world forest resources and over 300 years of history of forest management. However, Russian forestry remains a knot of environmental, economic and social problems. Irrational use of forest resources, when remote undisturbed forests are cut while previously exploited forests are abandoned, means low economic efficiency, losses for forest settlements and irreparable damage to the environment. Most of accessible forests are deeply exhausted as a result of intensive exploitation in the twentieth century (Odintsov, 2007: 157–160). According to various estimates, 10–35% of all harvested timber comes from illegal sources in Russia. In some regions, illegal logging is as high as 50% of logging operations (WWF Russia, 2012).

The most serious economic issues are the low competitiveness and low efficiency of the forest sector. The amount of harvested timber from one hectare of forest-covered land is 0.2 m<sup>3</sup> in Russia, whereas in developed countries the same indicator is 16 times higher (Odintsov, 2007: 162). As a result of inefficient use of forest resources, Russia accounts for only 3% of world production of commercial timber. Russia's timber industry focuses, to a great extent, on raw-material export: 26% of harvested wood is exported as raw timber, whereas 56% is processed by industry and 18% is used by local population and on social needs (Roshchupkin, 2008: 12).

The forest sector has traditionally been of high social significance both to forest settlements and wider population. In the 1990s, the Russian forest sector directly accounted for over two million employees (Nilsson and Shvidenko, 1997: 34). Since the dissolution of the USSR, as a result

of a drastic fall in production and administrative reforms, the number of employees in the forest sector dramatically decreased – down to 800 thousand in 2006 (Odintsov, 2007: 168).

In addition to employment, Soviet companies offered a range of social services and infrastructure, which the local population could also often benefit from (Nilsson and Shvidenko, 1997: 34). Since 1990s, the social responsibility for forestry workers has passed from the former state enterprises to local municipalities, which have been struggling to deliver as expected (Sodor and Jarvela, 2007: 16).

Since 1990s, the Russian forest sector has been undergoing a transition from a top-down control-and-command system to a market economy. The structure of the forest sector was affected by the privatization of the forest industry, liberalization of prices and the gradual opening of borders to international trade. The sector is now driven by new actors – private companies, NGOs, as well as supra-governmental organizations, who have started to play a noticeable role, trying to exercise influence on forest policy and introduce new forestry practices, forest certification (Ulybina, 2010), model forests (Ulybina, 2010), and various views of sustainability.

However, the Russian forest management system has inherited a lot of elements of the Soviet system. The state is the owner of forest land in Russia (Forest Code of the Russian Federation, 2007, Article 8) and forestry planning is administered by state companies for forest management. For decades, the main state bodies of forest management have been leskhozoes, which had a dual role. On the one hand, leskhozoes were state administration responsible for organization of forest use, management, regeneration and protection, as well as interaction of state forest bodies with the local population. On the other hand, leskhozoes were forest users and could carry out logging operations (selective felling (*rubki promezhutochnogo polzovaniya*) and other types of felling) in order to fund forestry works (*lesokhozyaystvennye meropriyatiya*).

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Since the early 2000s, Russian forestry has been undergoing a major reform. In 2007, a new Forest Code came into force. The new legislation caused one of the most heated debates in Russian forestry history and attracted wide criticism.

This article analyzes recent developments in Russian forestry from a so far overlooked – historical – perspective and aims to help better understand the roots of current problems. To achieve this, we review the recorded history of Russian forestry and a series of major reforms that the sector has gone through – with a view to identify possible patterns of its development. We then look at the current forestry reform, key issues and achievements to-date, and analyze recent changes in the sector in the light of previous historic trends. In particular, we focus on the late nineteenth–early twentieth century, to see how this period can be compared to the present situation. Both periods were times of major reforms – abolition of serfdom in Tsarist Russia and post-Soviet liberalization – and a fundamental transformation of almost every area of social, economic and political life in Russia.

## 2. Theoretical framework

### 2.1. Institutions

To analyze recent shifts and historic trends of Russian forestry, we will take an institutional approach. Institutional framework and related concepts are keys to explaining social change and help understand complex processes, where multiple social forces are involved. This approach emphasizes the priority of institutions over individuals and regards institutions as ‘rules of the game in a society’ (North, 2005) not simply constraining individual behavior, but also as being ‘constitutive of individual motivations’ (Chang, 2002: 557), or, more relevant to forest management, as ‘rules-in-use’ shaping the use of natural resources (Ostrom, 2010: 7). Various efforts have been made to divide institutions into separate categories based on different patterns of institutional existence and change, mechanisms and rate of transformation (e.g., Roland, 2004; Scott, 2001). For the purposes of this paper, however, we adopt a wide conceptual framework and do not separate our study into analytical strands. Instead, we explore various formal institutions (e.g., state-enforced laws and regulations) and informal institutions (e.g., customs, unwritten law and shared perceptions) in their complex and dynamic interplay, which shapes practices on the ground and resulting socio-environmental outcomes.

The institutional perspective is particularly relevant to the study of forest management (Bromley, 1985; Deacon and Mueller, 2006), and especially so in the case of Russia. One needs to understand the structural and institutional hindrances to socio-environmental change, the causes of failures (e.g., excess of natural resources, location of resources, available technology, current economic situation, political and administrative set-up, traditions of forest use, or existing forest management institutions) and potential roads to effective institution-building.

### 2.2. Path-dependence

Two key concepts within the institutional framework are path dependence (North, 2005; Ostrom, 2000; Greener, 2005) and path creation (Crouch and Farrell, 2004; Ebbinghaus, 2005; Schneiberg, 2007). Path dependence can be interpreted and manifested in various ways (see Djelic and Quack, 2007 for a brief review). Path-dependence is a phenomenon of social development whereby due to historical, political, socio-cultural or psychological factors, ineffective institutions and, for example, socially, economically or environmentally undesired, ‘self-reinforcing processes’ persist in a society: once social actors have ‘started down a track, the costs of reversal are very high’ (Pierson, 2000: 252). The concept of path dependence helps identify the sources of persistent ineffective institutions and continued undesired practices.

Path-dependence theory serves as a counter to those forms of economic theory which posit that interactions between economically

rational actors will lead to efficient outcomes, and focuses on the mechanisms leading to the widely observed phenomenon of persisting suboptimal and inefficient patterns of behavior (North, 2005; Pierson, 2000).

Persistence of informal institutions and social practices raises key questions about endogenous capacity for change and how path-dependent development trajectories interact with exogenously changing environments (Crouch and Farrell, 2004: 5–6). This is where the concept of path creation becomes useful – it helps to go beyond deterministic conclusions and identify forces that could help break away from the historic ineffective path. Path creation is understood as transformations on legal, administrative, behavioral or ideological levels that lead to changes in informal institutions, social practices and related social, environmental, or economic outcomes. It is about identifying structural obstacles to institutional change, as well as actors potentially able to initiate the process of institutional innovation. Various shifts in circumstances may cause institutional and behavioral changes. Sources of such changes include not only exogenous influences, but also endogenous resources. Established paths are ‘littered with elements of alternative economic orders and abandoned or partly realized institutional projects’, which represent resources for endogenous transformation and off-path organization (Schneiberg, 2007). There is sufficient historical evidence that alternative paths and fundamental institutional transformation within a short time frame are possible (Schienstock, 2007). For the purposes of this paper, we use the concepts of path dependence and path creation as two necessary, complementary elements of analysis: in order to identify opportunities for path creation, one needs to understand the sources of path dependence.

The theory of path dependence has been applied to the case of Russian post-Soviet economic development by Hedlund (2005), who argues that history particularly matters in the Russian case. He demonstrates that the roots of post-1990 economic problems should be sought not only in the Soviet system, but also in Tsarist history.

Path-dependence approach has been applied to several studies of forest management (Mueller and Alston, 2007). However, this approach has been used only sporadically on Russian material.

### 2.3. State versus non-state

In search of new path-creating forces, some studies highlight the growing importance of non-state actors (Leach et al., 1999; Edwards and Hulme, 1995; Edwards et al., 1999; Clark, 2001; Scott, 1990; Vira and Jeffery, 2001; Agrawal and Gibson, 1999; Cashore et al., 2007).

Other studies advocate a special role of the state as a pool of resources for institutional transformation and a possible driver of institutional change (Chang, 1997, 2002; Evans et al., 1985). The state is perceived not only as a complex element of ‘structure’, or resource, but also as an actor, which attempts to structure relationships between various other social actors (Skocpol, 2008; Nordlinger, 1981).

One of the key questions about social change is *What is the optimal ratio of market to the state for a prospering society and sustainable development?* Institutional political economy rejects the assumption of market primacy, brings the political aspect back into economics and applies the political economy logic to the analysis of the market and the state. Joseph Stiglitz (1994: 197) pointed out that the optimal ratio of market to the state varies depending on the institutional set-up and is strongly related to the informational deficiencies in the society. Forestry is a particularly good example of institutional complexity, where debates about the role of the market and the state have been ongoing for at least two centuries.

In the post-Soviet period, when Russian society plunged into liberalization and welcomed market economy, there arose a new powerful layer of non-state actors. These actors remain, however, in the shade of the state in Russia – ‘the state was organized there before society, and it is the state that has organized society’ (Durkheim, 1986: 60–61). The role of the state in Russian history remains a controversial issue. It is

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