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RUSSIAN BIRCH PLYWOOD – VIOLATIONS AND CIRCUMVENTION OF SANCTIONS, ANTI-DUMPING DUTIES, CUSTOMS RULES, AND TIMBER RELATED REQUIREMENTS

Russia has been a significant supplier of birch plywood to the EU. However, Russian origin wood and wood products have been prohibited by EU sanctions since 9 April 2022 (full force after 10 July 2022) and Russian birch plywood has been subject to EU's definitive anti-dumping since 10 November 2021. Yet, different techniques are used, and imports continue, resulting in violating and circumventing various applicable legal rules.

Due to EU sanctions against Russia, it is illegal to import Russian wood or wood products, including plywood into the EU

EU sanctions against Russia include a prohibition to purchase, import, or transfer, directly or indirectly, listed goods into the EU if they originate in Russia or are exported from Russia. The list includes items classified under the EU Combined Nomenclature Chapter 44, among them birch plywood.

It is also prohibited to participate in activities, the object or effect of which is to circumvent sanctions. Similar restrictions exist in the sanctions against Belarus. Additionally, the EU prohibits the import of any product (including birch plywood) originating in specific occupied Ukrainian territories.

EU's anti-dumping duties apply to Russian origin birch plywood

Imports of Russian origin birch plywood are also subject to anti-dumping (ad) duties varying from 14,4% to 15,8%. Circumvention of ad duties is prohibited by the Basic Anti-dumping Regulation. Following an anti-circumvention investigation, an ad duty can be extended to products entering the EU market via third countries. Evading ad duties may also qualify as customs fraud.

Offering and imports of Russian birch plywood into the EU market continues

Russian (and potentially Belarusian) birch plywood continues to enter the EU using techniques such as transshipment, minor alterations in third countries, false declarations of origin and consignment. The activity results also in ad duty circumvention, as consequence of origin or classification fraud. Further, such imports also contravene EU Timber Regulation requirements.

The techniques relied on include the following:

- Pure transshipment - Birch plywood is rerouted via third countries with a fraudulent declaration of origin, hiding the shipment from Russia. Some of the third countries in question do not have production capacity that would enable them to supply identified volumes into the EU.
- Minor alterations (and origin fraud) - Minor alterations to Russian birch plywood take place in third countries as a basis to declare a different origin. The operations are likely too minimal to lawfully confer origin, and in any event, they are only aimed at circumventing applicable restrictions, and do not comply with applicable due diligence requirements (raw material).
- Declaration of a different (false) CN code - Birch plywood is falsely classified as a different product, with the aim of having the product fall outside the scope of restrictions. The use of this technique is now less likely than before, due to the broadened product scope of sanctions.

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Market knowledge and import statistics support other evidence of illegal imports

Worldwide, around 80% of birch plywood is produced in Russia, Belarus & Ukraine, and is therefore impacted, either by the sanctions or due to being inside the war zone. The Russian export volume to Europe was around 1,3 Mm³ (and another 0,6 Mm³ was exported to North America) in 2021.

In 2022, the imports into the EU of birch plywood declared as having Russian origin plummeted. This coincides with a markable increase of imports into the EU of birch plywood that allegedly originates in third countries, such as Kazakhstan. Considering e.g., Kazakhstan's mere 15 thousand m³ production capacity, these countries do not have relevant or sufficient capacity for birch plywood to enable them to supply such volumes as have been identified.

Data also confirms that Chinese and Turkish imports of plywood originating in Russia have increased significantly in 2022 as compared to 2021.

Injurious impact on the EU industry

The violation of EU sanctions inevitably causes significant injury to EU industry. Sanctions violations mean imports at particularly low prices (to retribute the risks associated with described activities) and, in this case, also evading ad duties applicable to Russian origin birch plywood.

In the current circumstances, the efforts of EU industry to level the playing field through the imposition of ad duties threaten to be lost as low-priced birch plywood would flood the EU market. EU producers would thus suffer from unfair and illegal competition in a situation where they are already negatively impacted by the energy crisis and lack of raw material, aggravated by the Russian export ban on birch logs and veneers into the EU.

Conclusion

There is conclusive evidence that Russian birch plywood is being exported into the EU, in violation of EU sanctions and evading applicable ad duties. There are emails and other communications pointing to transshipments, minor modifications, and false classification of goods. This evidence is supported by market knowledge and import statistics.

EU industry continues to stand ready to face the unavoidable negative impacts of sanctions imposed against Russia in response to its military aggression against Ukraine. What we seek is enforcement, stopping of illegal imports and preventing unfair competition throughout the entire value chain. Finnish Forest Industries Federation has therefore notified industry concerns to relevant authorities in the EU, in order for administrative action to take place to prevent EU industry from being exposed to unlawful practices in the internal market.