



## IUFRO 125<sup>th</sup> Anniversary Congress

Freiburg, 18-22 September 2017

*D9 - Forest Policy and Economics Meeting 7 - Europe Inside/Outside*

# Changing patterns in wood trade: the emerging EU regional market

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## Outline

- Background
- Research objectives
- Methodology: overview
- Results
- Conclusions

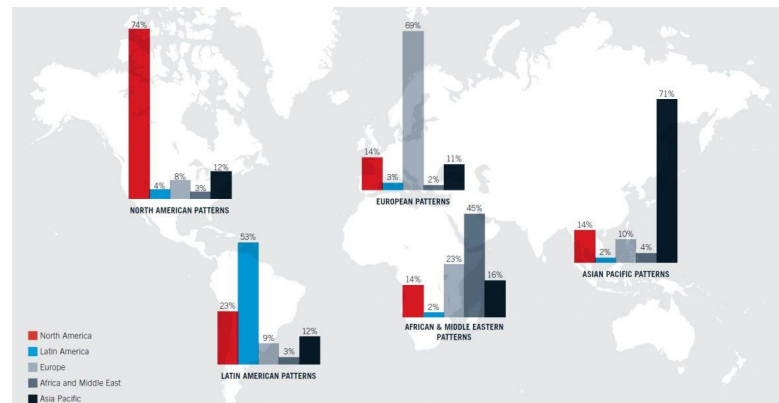
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## 2017 Will Be A Year Of Regionalization, Not Deglobalization

Many analysts are forecasting that the advent of Trump, Brexit and a populist resurgence to herald a new era of protectionism. But 2017 will not bring in deglobalization, rather will see an increase in regionalization, as near-shoring trade will spike to fill the gap.



[www.forbes.com](http://www.forbes.com) (December, 21 2016) – Based on data from Procurement Leaders (2014)

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## Background

- **Regionalization** → trade flows between countries of the same region
- **Common pattern** for many goods despite growing multilateral agreements and decreasing transportation costs (WTO, 2015)
- e.g. **50-60%** of EU trade of primary raw materials (Eurostat, 2016)
- Role of **regional trade agreements** (20 in 1990 → 283 today) and **policies** (WTO, 2017)
- EU Forest sector → **Reg. (EU) 995/2010 (i.e. EU Timber Regulation, EUTR)** could favor product substitution and timber flows among European countries (Giurca *et al.*, 2013; Pepke, 2015)

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## Research objectives

- Analyze the **recent trends** in the international **trade** of selected wood products (**roundwood and sawnwood**) and the **role of EU-28 and emerging importers**
- Identify possible recent **regionalization patterns** for **EU-28 imports** of selected products
- Discuss potential drivers of **EU regionalization patterns** (if any), including **EUTR enforcement**

## Methodology (1/2) Scope

### 2 Headings considered

= primary wood products most imported in EU-28 in 2014

Commodity groups	CN code (4-digits)
Roundwood (logs)	<b>4403</b>
Sawnwood	<b>4407</b>

CN = Combined Nomenclature

**Period considered → 2005-2014** (consistency of headings)

## Methodology (2/2)

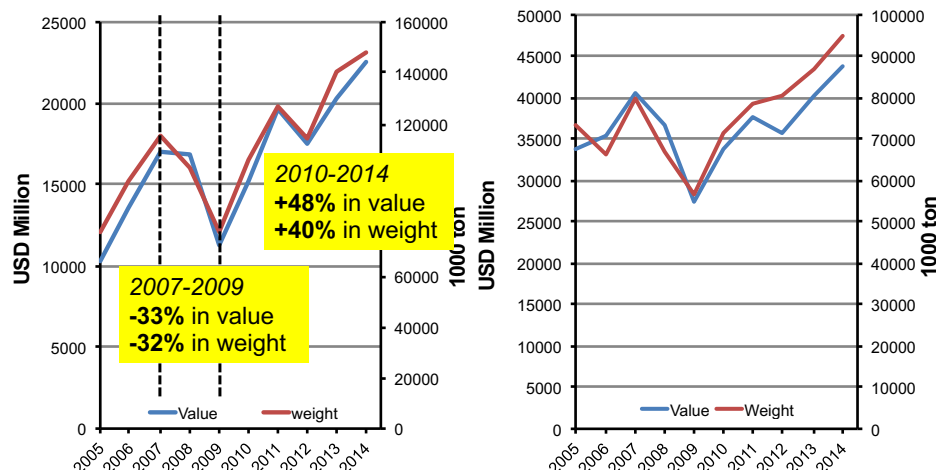
### Data source and processing

- Source: **UN Comtrade Database**
- Data “**cleaning**” to avoid data shortcomings, double reporting, presence of outliers, missing quantities and use of different units
- Spread sheet-based tool developed and tested by the FP7 StarTree project (Pettenella *et al.*, 2014)
- **3-step** procedure: (i) mirroring technique, (ii) outliers identification and detection, and (iii) missing data estimation

## Results

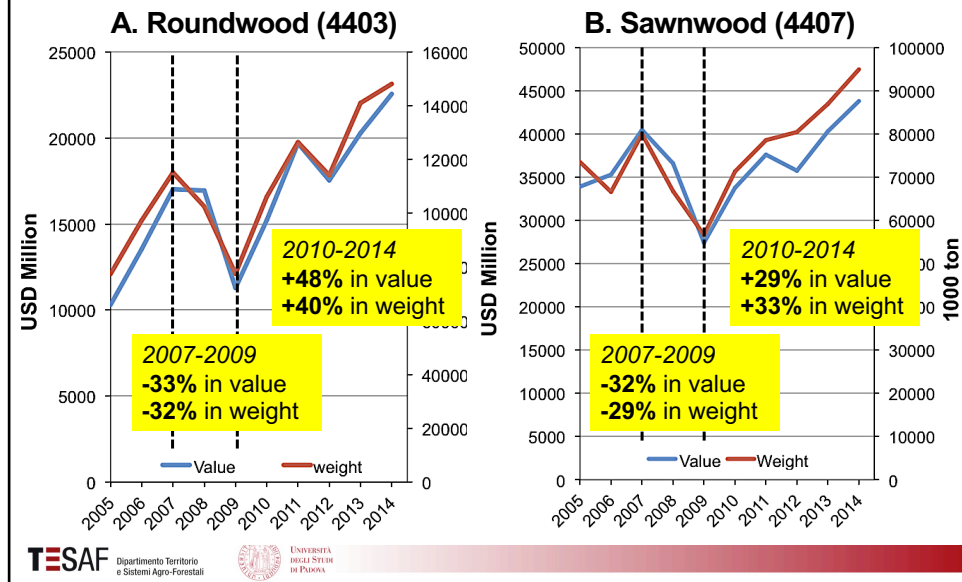
### 1. International trade trends

#### A. Roundwood (4403)



## Results

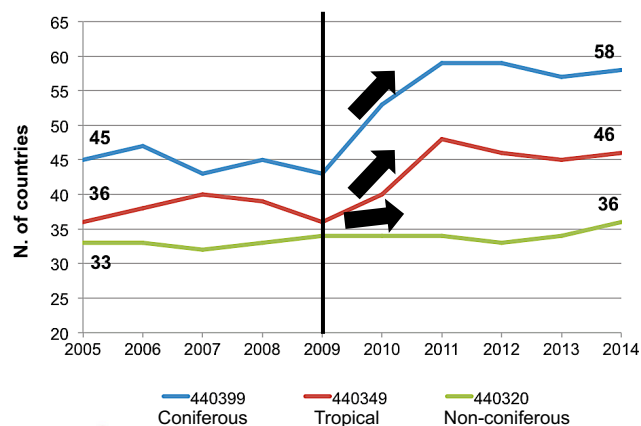
### 1. International trade trends (2005-2014)



## Results

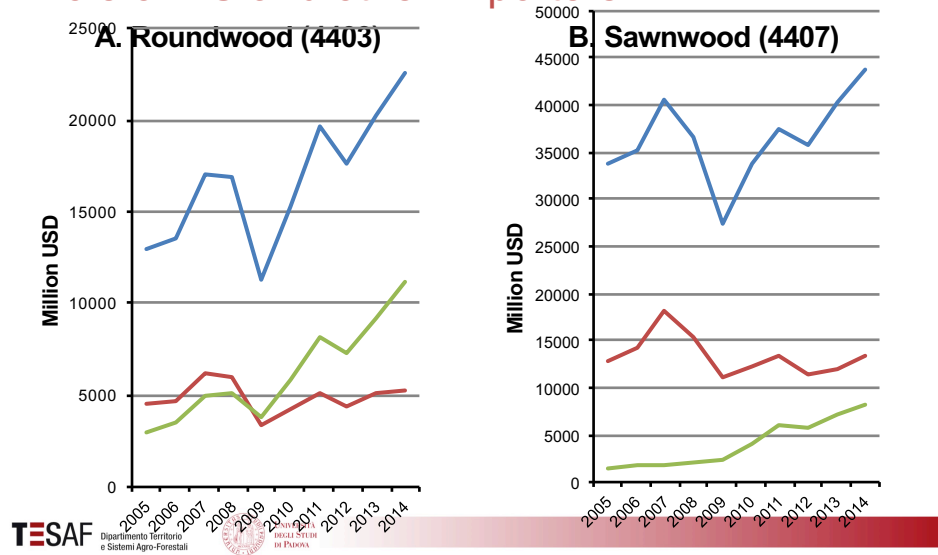
### 1. International trade trends (2005-2014): number of exporting countries (e.g. roundwood)

Number of countries accounting for at least 0.1% of global roundwood trade



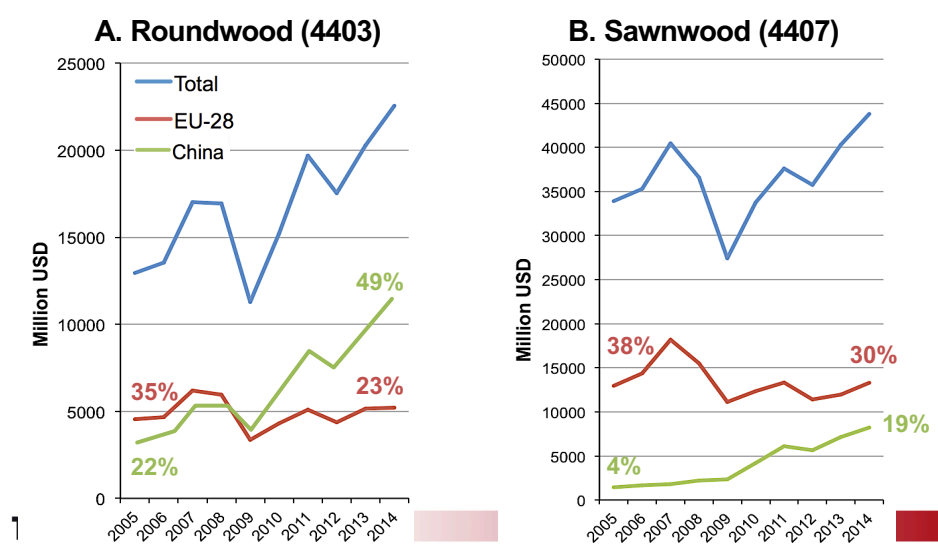
## Results

### 1. International trade trends (2005-2014): role of EU and other importers



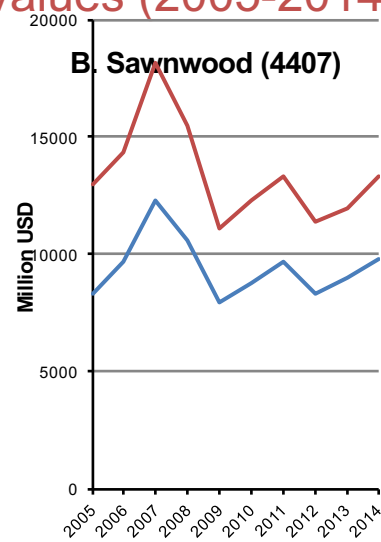
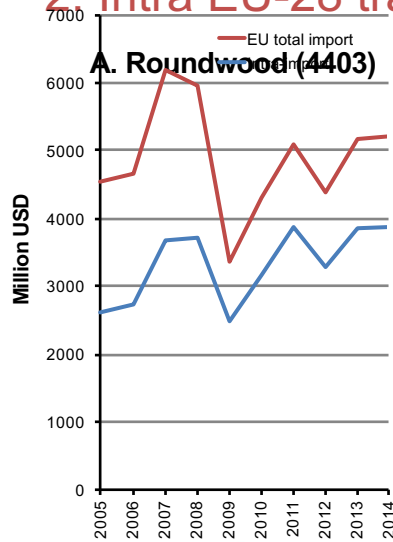
## Results

### 1. International trade trends value (2005-2014): incidence of EU and China imports



## Results

### 2. Intra EU-28 trade values (2005-2014)



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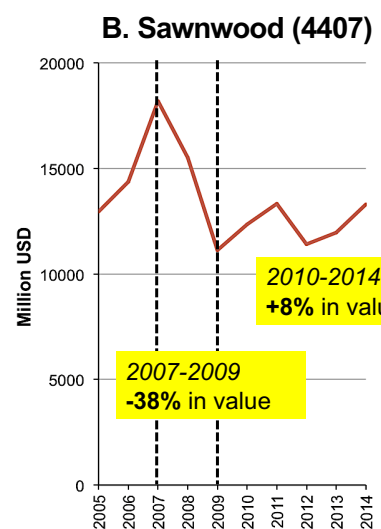
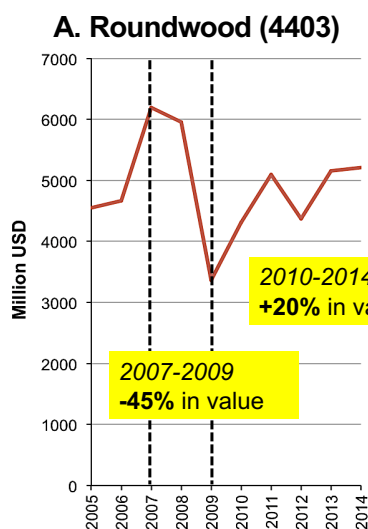
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## Results

### 2. A focus on EU import values (2005-2014)



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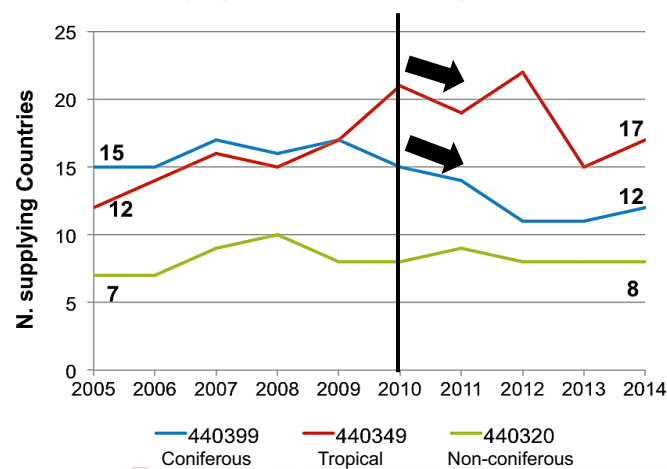
## Results

### 2. Intra EU-28 trade values (2005-2014)



## Results

### 2. EU-28: n. of supplying countries (e.g. roundwood) (2005-2014)

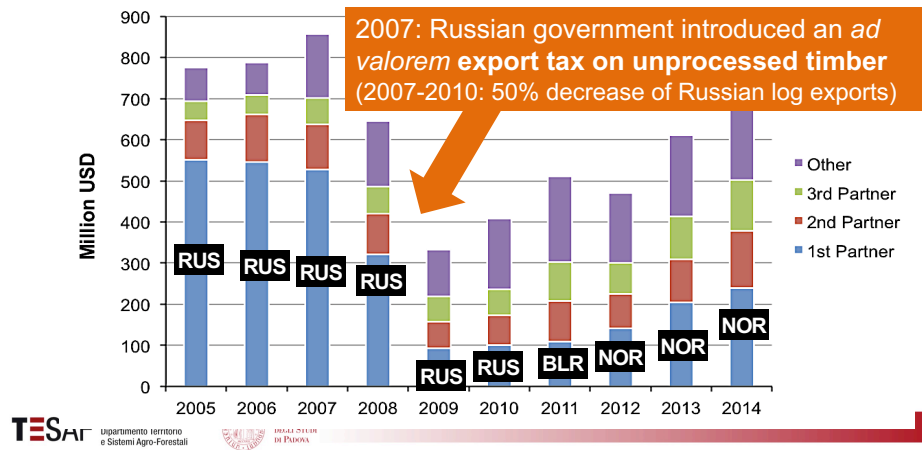




## Results

### 3. Economic crisis as the sole driver? Other possible drivers of intra-EU trade increase

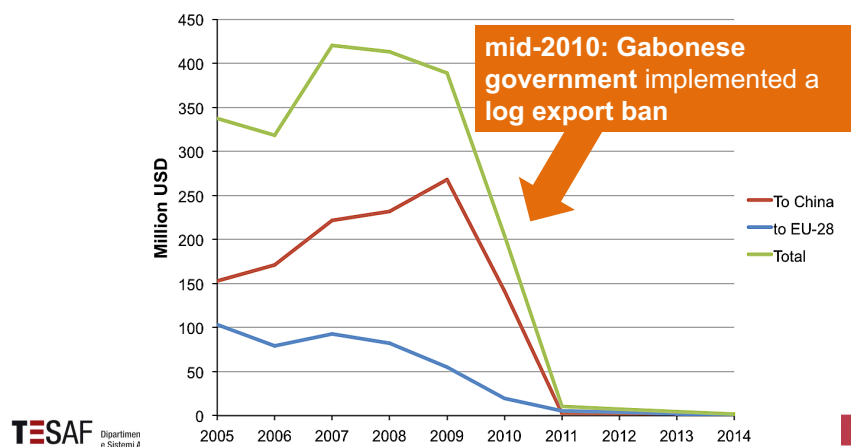
Value of EU imports of coniferous roundwood (440320) from extra-EU countries and 3-top trade partner countries



## Results

### 3. Economic crisis as the sole driver? Other possible drivers of intra-EU trade increase

Value of Gabon exports of sub-heading 440349 (other tropical species, as *okoumé*) and main importing regions

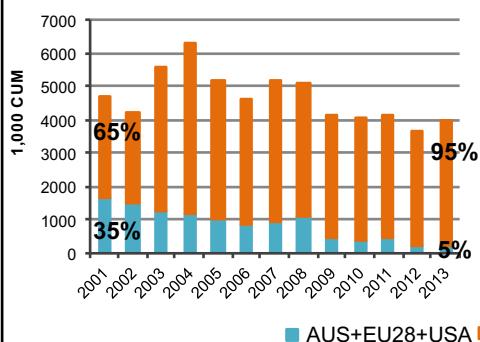


## Results

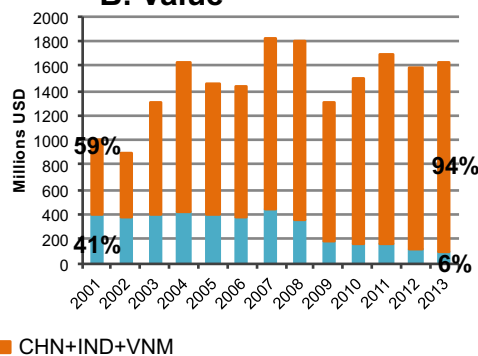
### 3. Economic crisis as the sole driver? Other possible drivers of intra-EU trade increase

Share of total imports of **tropical roundwood** by traditional importers and emerging economies (Source: Masiero *et al.*, 2016)

**A. Volume**



**B. Value**



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## Results

### Identification of possible Reg. (EU) 995/2010 effects (1/2)

Main EU partners for tropical species:

- **sub-heading 440341** = meranti spp.
- **sub-heading 440349** = other tropical species (Okoumè, iroko etc.)

440341	2010	2011	2012	2013	2014
1° partner	Malesia	Malesia	Malesia	Malesia	Malesia
2° partner	Indonesia	Indonesia	Indonesia	Indonesia	Indonesia
3rd partner	Singapore	Singapore	Singapore	Singapore	Singapore

440349	2010	2011	2012	2013	2014
1° partner	Central African Rep.	Central African Rep.	Central African Rep.	Central African Rep.	Central African Rep.
2° partner	Cameroon	Dem. Rep. of the Congo	Dem. Rep. of the Congo	Congo	Congo
3rd partner	Dem. Rep. of the Congo	Congo	Cameroon	Dem. Rep. of the Congo	Dem. Rep. of the Congo

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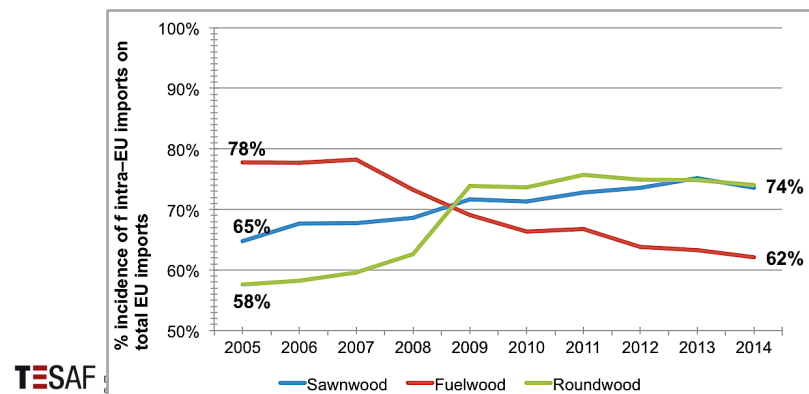
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### 3. Economic crisis as the sole driver? Other possible drivers of intra-EU trade increase

**Are intra-EU imports increasing for all wood categories subject to EUTR?**

**Firewood:** total EU imports on increase (+200% in quantity; +300% in value), but intra-EU contribution is on decrease



## Conclusions

- **Decreasing role of EU-28** within **global** roundwood and sawnwood import trends
- **Intra-EU trade incidence on increase since 2007**, reduced role of extra-EU imports (part. for logs)
- **Before EUTR** enforcement
- **Not all products** within EUTR scope show the **same trend** (e.g. firewood)
- **Multiple drivers** at play (demand by emerging economies, export bans, EU-policies e.g. on energy, price trends and markets...)
- **Regionalization of EU-28 roundwood and sawnwood market** seems the **continuation of a trend** rather than a sudden & shocking change