

Legality constraints: the emergence of a dual market for tropical timber products?

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Illegal logging: a definition

Illegal logging = harvesting, processing and trade in timber and timber products in violation of national or sub-national laws at any point along the supply chain (FAO, 2003; Forest Europe, 2012)

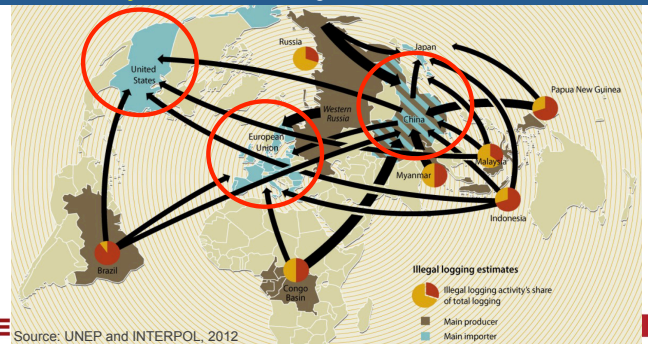
Examples:

- logging without permits/outside concession
- logging with an illegally acquired license
- illegal forest conversion
- logging exceeding allowed quotas
- processing of logs/timber without the necessary licenses
- non-payment of taxes
- non-payment of export duties
- ...

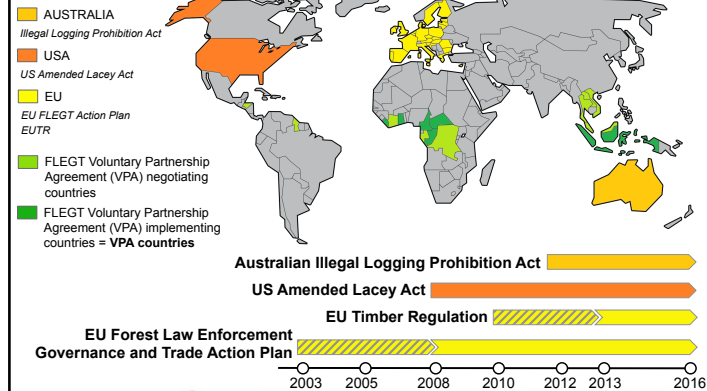
Illegal timber trade: an overview

Illegal timber trade: 15–30% of the globally traded **timber volume** (50–90% of the volume in key producer **tropical countries**)

Estimated economic value of global illegal timber trade: 30-100 USD billions/year i.e. 10–30% of global wood trade



Timber trade legality regulations (1/2)



Timber trade legality regulations (2/2)

- Existing literature on impacts → focus on single regulations (Giurca *et al.*, 2014; Prestemon, 2015...) and/or countries/regions (Carden *et al.*, 2012; Roe *et al.*, 2014...)
- Regulations implemented only by some countries (AUS, EU and USA)
- Regulations not covering all traded timber products (e.g. some finished products excluded)
- **Can they contribute to timber diversion towards destinations with lower legality requirements, thus creating a “dual market”?**

Research objectives

The research aims to analyze:

- The state of the 2001–2013 timber **flows at global level** with a focus on **selected tropical timber and timber-based products**
- The **changes in timber flows (2001-2013)** to the **EU, the USA, and Australian markets**, and changes in flows to **selected emerging economies** without specific legality verification regulations
- The **magnitude** of the possible ensuing **dual market**

Research methodology (1/3)

1. Product selection

17 Selected products (primary tropical wood products)

Commodity groups	CN code (4-digits)	CN codes (6-digits)
Roundwood (logs)	4403	440341 and 440349
Sawnwood	4407	40721 to 440729
Veneers	4408	440831 and 440839
Plywood	4412	441213, 441222, 441229 and 441231

CN = Combined Nomenclature

Research methodology (2/3)

1. Product selection

2. Country selection

- Global trade
- **Traditional importers** → **EU, USA and Australia (AUS)**
- **Emerging economies** → **China (CHN), India (IND) and Vietnam (VNM)**

Reference to:

- Total imports
- Imports from VPA countries

Research methodology (3/3)



Source: UN COMTRADE database

Cleaning to avoid **data shortcomings, double reporting, presence of outliers, missing quantities, and use of different measure units.**

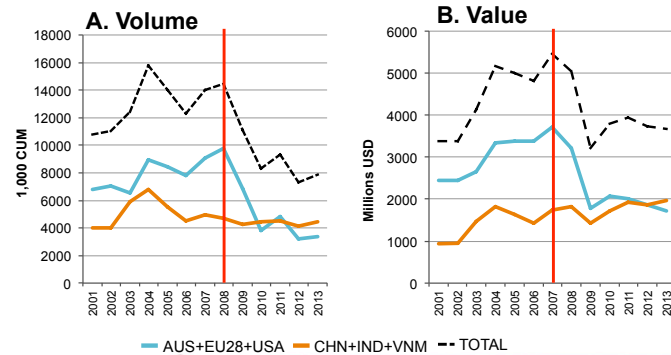
Spread sheet-based tool developed and tested by the FP7 StarTree project (Pettenella *et al.*, 2014) adapted and used

International trade in primary tropical timber products

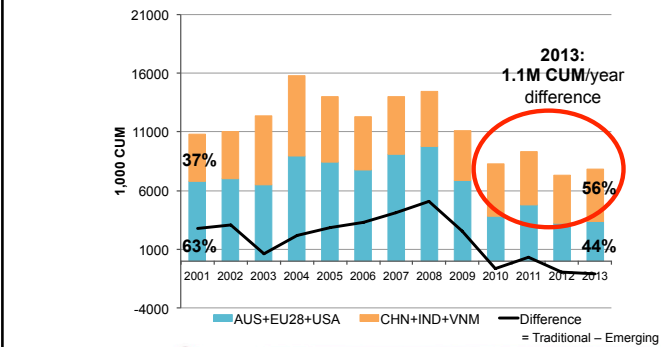
International tropical timber trade -in volume and value- for selected product groups, 2001 and 2013

CN Code	2001				2013				2001-2013 % Variation	
	Volume (CUM *)	% on T	Value (1000 USD)	% on T	Volume (CUM)	% on T	Value (1000 USD)	% on T	Volume	Value
Logs	7,106,094	29.6	1,436,237	16.8	5,794,423	27.8	2,115,648	23.6	-18.5	47.3
Sawnwood	9,656,470	40.2	4,277,011	49.9	8,685,690	41.7	3,346,510	37.3	-10.1	-21.8
Veneers	701,386	2.9	420,014	4.9	415,078	2.0	464,118	5.2	-40.8	10.5
Plywood	6,531,104	27.2	2,434,184	28.4	5,945,741	28.5	3,044,304	33.9	-9.0	25.1
Total (T)	23,995,054	100.0	8,567,446	100.0	20,840,932	100.0	8,970,580	100.0	-13.1%	+5%

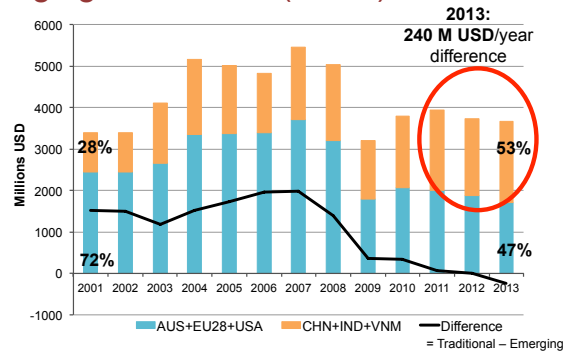
Total imports of primary tropical timber products by traditional importers and emerging economies



Share of imports of primary tropical timber products by traditional importers and emerging economies (Volume)



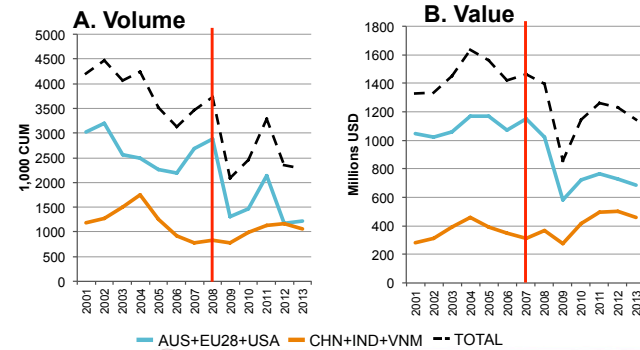
Share of imports of primary tropical timber products by traditional importers and emerging economies (Value)



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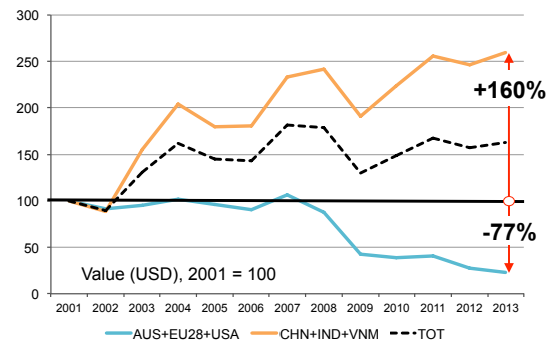
Imports of primary tropical timber products from VPA countries by traditional importers and emerging economies



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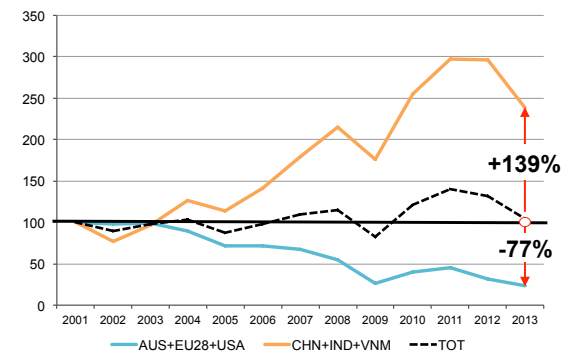
Value of total imports of tropical logs by traditional importers and emerging economies indexed to 2001



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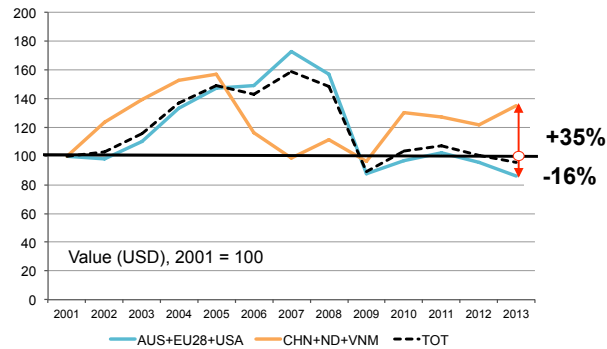
Value of total imports of tropical logs by traditional importers and emerging economies from VPA countries, indexed to 2001



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Value of total imports of tropical sawnwood by traditional importers and emerging economies indexed to 2001



Conclusions (1/2)

- **General decrease** (in volume) in the global trade of primary tropical timber products
- **Different patterns** between Traditional importers (decrease) and Emerging Economies (increase)
- **Partial shift form Traditional importers to Emerging Economies** + increasing South-South trade (including intra-regional trade)
- Mostly for logs (and sawnwood)
- Is this just the effect of timber trade legality regulations?

Conclusions (2/2)

- Decline of tropical imports started around **2007-2008** → financial crisis (Northern countries)
- **Additional drivers** at play e.g. increasing domestic demand by emerging economies, log export bans, anti-dumping measures on plywood, shift to temperate species...
- **VPA countries hold better** than other tropical countries → processed products, link with EU, measures adopted for FLEGT
- **Additional (“hidden”) effects of illegal logging policies:** enterprise concentration (Karsenty *et al.*, 2014), reduced number of imported species (Jonsson *et al.*, 2015), increased prices (Preslemon, 2015)...
- Further research needed to understand the technical/ political complexities introduced by an ever-evolving legal framework