

ATIBT forum focuses on African wood in domestic and European markets

Unlike the ATIBT Forum in 2014 which was wide ranging and covered tropical timber trade trends globally, this year's meeting focused more on linkages between African producers and European buyers. Around 150 participants attended the meeting in Milan on 14-15 October drawn mainly from African governments and trade associations, European-owned tropical timber operators in Africa, and European importing companies, trade associations and other policy makers.

Consideration was given to the emerging role of Africa's domestic tropical timber market, and how this will impact on future development of the industry. Discussion also focused on the role and impact of trade policy instruments such as the EU Timber Regulation (EUTR), Voluntary Partnership Agreements (VPAs), and private sector forest certification.

An informative session on recent developments in Africa's timber markets was introduced by Franck Chambrier of SIAG, the forestry operators association in Gabon. Mr Chambrier highlighted that while the level of commercial timber consumption in Africa is low compared to other parts of the world, this is likely to change in the future. He noted that at current rates of growth, Africa will be home to more than one quarter of the world's population before 2050. This combined with rising living standards is already driving a rapid increase in regional demand for building materials and furniture products.

While the opportunity is there, Mr Chambrier noted that there are significant obstacles undermining competitiveness of wood products in Africa. He said that in many market segments, African wood materials were uncompetitive compared to non-wood products and imports. He particularly highlighted lack of connectivity and poor internal infra-structure noting that "it is easier to send a container to China than to another African country". Africa-wide there is a need to convert a large informal sector based on small scale artisans and handicrafts into a more modern formal industry. Alongside this, Mr Chambrier identified a need to develop technical standards for African wood products that are relevant to African people and conditions.

Drawing on experience in the Ivory Coast, Raphael Tsanga of CIFOR agreed that there are tremendous opportunities to develop the regional wood market in Africa and highlighted that significant progress is already being made. He observed that improvements in governance and land tenure reforms are helping to boost growth, increase demand for wood products and encourage investment in processing facilities. There are already numerous companies producing tertiary wood joinery and furniture products for the local market which is "beginning to show good results." He noted that efforts to improve the quality of housing and interior design in Ivory Coast will offer new opportunities in the future. Ivory Coast is implementing a policy to increase social housing for which wood is being used in conjunction with steel structures.

More investment by Asian operators in Gabon

Pierre Liu of UFIAG, the association of Asian forest sector operators in Gabon, explained to the ATIBT forum that these operators, initially interested only in exporting logs, are now increasing their investment in wood processing in the country. Apart from the restrictions imposed on log exports from Gabon, this trend was driven by Gabon's relative social and economic stability, great availability of raw material, and government incentives. He suggested that Asian operators investing

in wood processing plants in Gabon are already benefitting from greater profitability compared to those exporting only logs.

Francoise Van de Ven, representing UFIGA, the Gabon forest industry association, highlighted the particular opportunities created by the rise of local wood markets for small and medium-sized enterprises (SMEs) in Africa. While forest concession management in Africa typically requires a huge injection of financial and technical resources, wood product manufacturing facilities supplying the local market can start small and build up over time. These operations also provide an outlet and testing ground for lesser-known African timber species. Once these woods are better known in Africa, it becomes easier to promote their value in international markets.

Sophie Bourcer of OLAM, the global agri-business company, also highlighted the potential to develop a vibrant wood processing sector in tropical Africa based on clusters of SMEs. Ms Bourcer described a project to create wood furniture manufacturing cluster in a special economic zone (SEZ) in Gabon. Companies operating in the SEZ are offered a range of incentives such as no income tax for first ten years and a preferential rate of 5 per cent over the next five years. There are now 50 to 60 companies operating in the zone with the main focus on producing wood furniture to European quality standards. Such has been the success of the zone that its area has been extended from 15 to 37 hectares.

Ms. Bourcer said that shared infra-structure within the Gabon furniture cluster results in lower costs for Individual operators. Workshops have been established to provide a range of services – such as kiln drying, machine tooling and furniture design. For supply of raw material, the zone hosts a saw mill and units for manufacturing plywood and board. There is also a show room for international buyers to visit.

While Ms Bourcer noted the success and progress of the initiative in Gabon, she also said that furniture production in the cluster is still not sophisticated by international standards and there are many challenges to overcome. While Africa has numerous small scale carpenters, they do not yet have experience of mass production and there is a significant need to upgrade skills. Gaining access to qualified designers is a huge challenge, something that can only be achieved by operators working together through clusters like this. Although infra-structure and connectivity are improving, these remain challenging issues.

Is EUTR helping to fight corruption or just undermining the value chain?

The impact of EUTR requirements for legality due diligence on the tropical wood trade was another key theme of discussion at the ATIBT forum. Stefano Cora of the Italian timber trade manufacturing company of the same name commented from the perspective of a large European importing company. He began by asking perhaps the most critical question surrounding EUTR: “Is all this red tape really helping the fight against corruption or is it just undermining the value chain?”

Mr Cora questioned the uneven playing field between requirements for wood sourced from inside and outside the EU: “the truck drivers delivering timber from Bulgaria frequently do not fulfil all their legal obligations – for example for tax payments, licenses and insurance - and yet this is never challenged – why is it necessary for importers to raise questions like this with African suppliers when rules are not enforced within the EU?”

Mr Cora also noted variation in EUTR application across the EU. “Some countries and customers demand very detailed due diligence – others just require a very basic declaration that due diligence is taking place – its necessary to find a balance between these two extremes and to ensure greater consistency across Europe”, said Mr Cora.

Mr Cora concluded: “I don’t want to criticise EUTR but it needs to be improved – for Cora, EUTR has to become a useful tool – this can be an opportunity for our sector, it requires that companies improve their knowledge of supply chains and the supply base which in turn improves business practice and decision-making”.

These sentiments were echoed by several other speakers. Andre de Boer, Secretary General of the European Timber Trade Federation, said that “While it has faults, in principle we believe EUTR is a good mechanism. Illegal wood is bad for brand image and undermines competitiveness of legal supplies and the long-term sustainability of supply”.

Mr de Boer also observed that “EUTR is being implemented fairly effectively across several member states including the UK, Belgium, Netherlands, and Germany – however other member states had no national legislation until recently and there is still overall lack of consistency in implementation”.

Mr de Boer noted that the European Commission is currently reviewing EUTR and that ETTF had submitted detailed comments on how it may be improved. These comments highlighted the need for more concerted efforts to ensure EUTR is enforced effectively and consistently across all EU Member States and for greater central guidance and support for other measures to harmonise due diligence systems.

Call for forest certification to given “green lane” in EUTR

ETTF is also calling for FSC and PEFC certificates to be given a “green lane” through the due diligence process in the same way as FLEGT-licenses and CITES certificates. Mr de Boer noted that “in the Australia illegal logging law, certified timber is accepted full stop - this principle should apply in the EU”.

Eric Boilley of Le Commerce du Bois (LCB), the French timber trade association, demonstrated that FSC and PEFC certification is, in practice, already given a green light without any further due diligence by many operators. LCB is formally recognised by the EC as a Monitoring Organisation with competence to develop and monitor company conformance to an EUTR due diligence system.

Mr Boilley showed that the due diligence system developed by LCB requires operators to first assess whether a product is certified or uncertified and only requires additional risk mitigation measures in the case of uncertified product. He noted that in practice LCB “accepts 100% that independently certified product is not going to be illegal”.

According to Mr Boilley “LCB is trying to coordinate public and private sector procurement criteria in France - we can’t have a different approach between the two - now we need a collective solution at EU level”. He also expressed concern about a “minimalist approach”, noting that LCB “wants consistent demand for something that is more than an assurance of legality but instead assures sustainability”.

Mr Boilley received firm support for this stance from a representative of Rougier, the French owned tropical wood company with large operations in Africa, who expressed frustration at the lack of automatic recognition for FSC certified timber in due diligence procedures developed in other EU member states such as the UK. He wondered why FSC certificates issued to forest concessionaires in Africa could not be given equivalent status to FLEGT licenses, particularly as they assured not only legality but also conformance to a wide range of other sustainable forestry criteria.

In response, Alain Penelon speaking on behalf of the European Forestry Institute (EFI) noted that it's not possible simply to transform private-sector forest certification into a FLEGT License. The latter is required to be a national regulatory system and once operational must be applied to all exports of timber products within the scope of the VPA into the EU. There must be equitable access to the licensing system for all operators wishing to export from the country. However Mr Penelon also noted that timber from FSC and equivalent third party certified concessions in Africa should, in practice, be readily recognised as negligible risk through standard EUTR due diligence procedures.

A government representative of the Republic of Congo also noted that the option of building private sector certification programs into the FLEGT licensing framework is acknowledged in their VPA with the EU. He noted that a process is currently underway to assess how far private certification standards align with the legality grid agreed nationally through the VPA process in the Congo. There will also be an assessment of the extent to which private sector certification systems tracking and accreditation procedures conform to the requirements of FLEGT licensing system.

If the results of these assessments are positive, then the Congo would push for EU recognition of these certificates as FLEGT licenses. It was suggested that "if we have to wait for the entire national system to be finalised, the first FLEGT licenses will not be authorised [from the Congo] for at least 5 years".

Overcoming other barriers to EU market access

While there was a strong focus on the role of certification and FLEGT licensing, other presentations to the ATIBT forum highlighted other competitiveness issues that need to be addressed to ensure continued market access in the EU. Rupert Oliver of the FLEGT Independent Market Monitoring (IMM) mechanism which is hosted by the ITTO and funded by the EC, reported on the results of a systematic review of factors impacting on the EU market for tropical timber.

The IMM review shows that there are many factors outside the scope of the FLEGT VPA process and forest certification systems with the potential to act as a drag on both the supply and demand of wood products from tropical countries in the next decade.

Prominent among these factors are the following: the continued weakness of the EU recovery following the global financial crises; the ongoing shift in global economic activity to emerging markets; continuous product innovation to broaden applications for temperate wood and non-wood products; the strong commitment of competitors to market development; the potential for increased production of hardwoods in Europe and other temperate countries; and the relative lack of freight infrastructure in most VPA partner countries.

According to Mr Oliver, the implication is that the process of FLEGT licensing, even when combined with the EUTR, cannot be regarded as a “magic bullet” that, on its own, will transform the EU market for wood products from VPA partner countries. On the other hand, the review highlights that the VPA process has strong potential for overcoming some of the most significant existing obstacles to market development in the EU and beyond for wood products from VPA partner countries.

For example, by strongly emphasizing good governance—which aligns with lower commercial risk—the FLEGT VPA process can help remove barriers to inward investment in sustainable tropical timber industries. It can also help overcome market prejudice against tropical timber in the EU and turn around environmentalist campaigns so that they become a voice in support of the industry.

Full details of the IMM market review, together with data on the share of timber from FLEGT VPA countries in specific sections of the EU market, are contained in ITTO Technical Series #45 “Europe’s changing tropical wood trade” now published on the ITTO website (see http://www.itto.int/technical_report/).