

Recent international trade patterns in timber products for the Verifor case study countries

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Introduction

A major driver behind the development of national verification systems is the expectation that exported timber may soon have to demonstrate that it has been produced in compliance with the laws of the producer country. For example, this is a key element of the Voluntary Partnership Agreements (VPAs) being developed under the EU's FLEGT Action Plan. The nature of timber product exports is therefore likely to be a key determinant of how different producer countries move forward this reform agenda. The twelve Verifor country case studies encompass a wide range of situations, with different levels of exports, different key markets and differing recent trends evident. This information note presents an overview across all these countries, providing an important context to help understand the different stages of legal verification to be found in each country.

Obtaining reliable and consistent data sets for the export and import of timber is problematic, due mainly to differences in how exports (and imports) are recorded; the accuracy to which such measures are made; and the likelihood of a varying level of under-reporting of timber exports due to fraudulent practices.

One independent, publicly available data set is hosted by www.globaltimber.org.uk¹ and it is these data that are used in the following analysis. Global Timber bases its estimates on importing country statistics and, if these are not readily available, exporting country declarations as recorded in UN Comtrade (<http://comtrade.un.org/db/>) and other sources. All wood product exports are estimated in Round Wood Equivalent (RWE) values, expressed in cubic metres. This allows for different wood product categories – round logs, sawn lumber, veneer, plywood or furniture - to be combined to provide an overall assessment of the scale of the wood-using industry. However, the situation is complicated by the fact that in some major timber exporting countries (e.g. Malaysia, Brazil) some of the exported material has been derived from wood-based products that these countries themselves have imported. Hence the focus of the following analysis is not on the detail of the figures quoted, but rather on the broader patterns that are apparent.

Three analyses are described:

- First, the overall scale of timber product exports are compared across the Verifor countries.
- Second, the main export market share is identified for each country and the level of trade with the EC (as a percentage of the overall trade) is given.
- Third, recent trends in timber product exports are provided for the years 2002 – 2006.

The scale of timber product² exports

Figure 1 shows the level of timber product exports in 2006. The 12-country sample can be divided into three distinct groups:

¹ I acknowledge the considerable assistance provided by James Hewitt for GlobalTimber in providing the data sets that are described in the text.

² Timber products are defined here to include wooden furniture and to exclude fuelwood, pulpwood, pulp and paper.

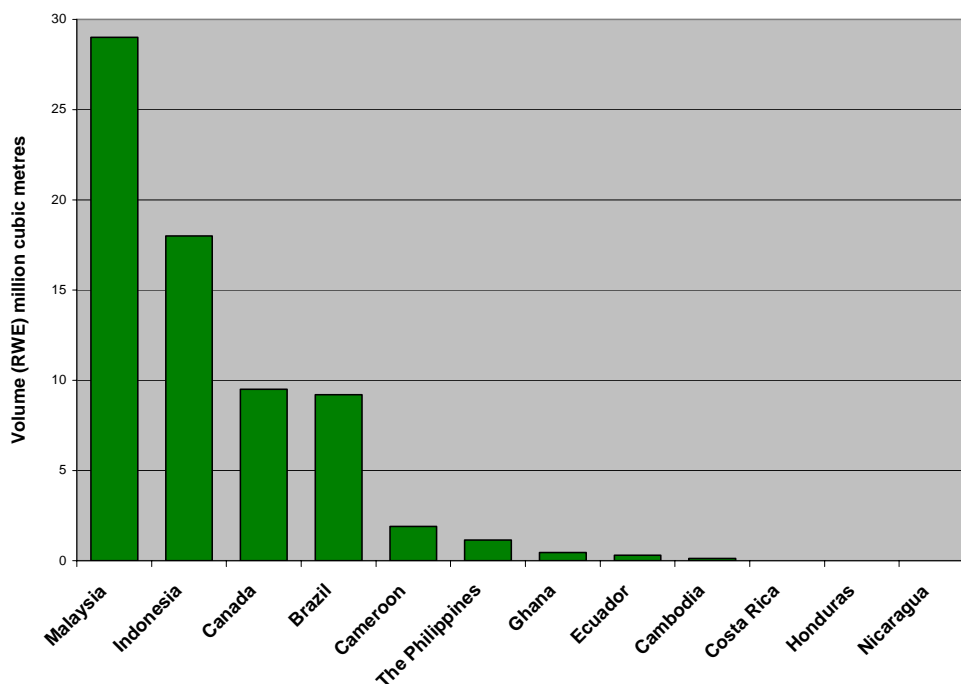
1. First, there are the four major *global* exporters, with annual production levels of the order of 10 million cubic metres and above: Malaysia, Indonesia, British Columbia (Canada) and Brazil.

The Malaysian export level is unsurpassed at almost 30 million cubic metres annually, but this includes significant amounts of rubberwood (*Hevea brasiliensis*), particularly in the wooden furniture and fibreboard segments. This wood is derived from ageing rubber plantations, where many of the governance concerns associated with natural forest supply are much reduced.

Canada's exports to East Asia are presented as a proxy for production from British Columbia and are intended solely to indicate the enormous scale of the timber sector in British Columbia.

2. A second group, comprising Cameroon, The Philippines, Ghana, Ecuador and Cambodia have significant timber product exporting industries, with annual production levels of several hundred thousand cubic metres.
3. The final group of Central American countries (Costa Rica, Honduras and Nicaragua) has no significant international trade.

Figure 1. The level of timber product exports for the Verifor countries in 2006



Main market share and the EU percentage market share

Taking 2006 as the most recent reference year, the market destinations for timber products vary considerably across the Verifor country sample. Table 1 provides the percentage market share for a number of key consuming countries (the EU, the USA, Japan and China). Three different groups can be identified:

1. East Asian countries where the export market to Japan dominates: Malaysia, Indonesia and The Philippines.

2. South American countries where the principal export market is to the USA: Brazil and Ecuador.
3. West and Central African countries where the export market to EU countries is critical: Cameroon and Ghana.

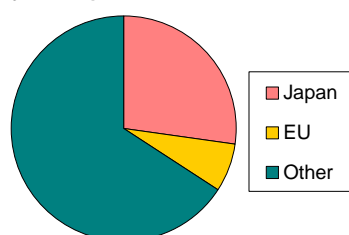
Table 1. Export destinations for the Verifor countries in 2006, expressed in percentage terms

Country	EU	Japan	USA	China	Others	Total
Malaysia	7	27	8	10	48	100
Indonesia	14	25	10	9	41	100
Canada	-	76	-	9	15	100
Brazil	26	1	44	7	23	100
Cameroon	71	0	3	17	9	100
The Philippines	2	53	4	19	22	100
Ghana	70	0	20	3	7	100
Ecuador	8	0	86	2	4	100
Cambodia	-	-	-	75	25	100
Costa Rica	-	-	-	-	-	-
Honduras	-	-	-	-	-	-
Nicaragua	-	-	-	-	-	-

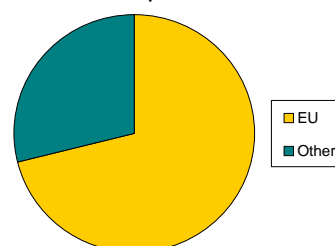
The EU market share is highlighted in Figure 2, which shows the considerable variation in the importance of EU countries as a market for these timber-exporting countries. The EU is clearly the dominant market only for the African timber producing countries.

Figure 2. Pie charts of some of the countries which trade with the EU

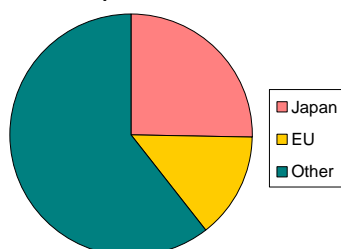
Malaysian export markets in 2006



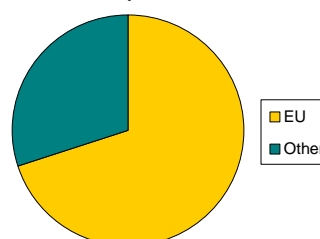
Cameroonian exports in 2006



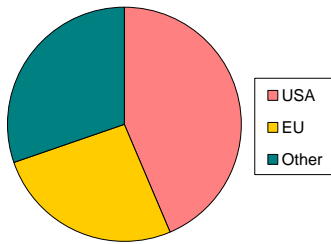
Indonesian export markets in 2006



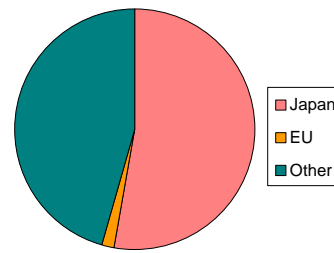
Ghanaian exports in 2006



Brazilian export markets in 2006



The Philippines exports in 2006



Brazil stands out as a country where the EU market is significant (this also applies for trade in wood-based products where the end-use is paper) but is currently outside the FLEGT negotiations with the EU.

Recent trends in the export trade

Table 2 provides short-term trend data for the last five years (2002 – 2006).

Table 2. Trends in the RWE volume of Verifor countries exports of timber products

	2002	2003	2004	2005	2006
Malaysia					
<i>Total</i>	27	30	31	30	29
- China	4.2	5.0	4.7	3.8	2.9
- Japan	6.7	6.7	7.0	7.2	8.0
- USA	1.9	1.9	2.6	2.3	2.3
- EU	1.6	1.8	2.0	1.9	2.0
- Others	13	14	15	15	14
Indonesia					
<i>Total</i>	26	25	24	21	18
- China	4.2	3.6	3.3	2.5	1.6
- Japan	7.3	6.3	6.7	5.4	4.5
- USA	2.4	2.0	2.1	1.8	1.8
- EU	3.1	3.2	3.2	3.1	2.5
- Others	9.3	9.4	8.5	7.8	7.3
Brazil					
<i>Total</i>	6.8	7.8	12.1	11.1	9.2
- China	0.3	0.6	0.6	0.5	0.6
- Japan	0.1	0.1	0.1	0.1	0.0
- USA	2.2	3.0	5.3	5.2	4.0
- EU	2.0	1.6	2.9	3.1	2.4
- Others	2.2	2.6	3.1	2.2	2.1
Cameroon					
<i>Total</i>	1.9	1.7	1.8	1.8	1.9
- China	0.2	0.2	0.2	0.1	0.3
- Japan	0.0	0.0	0.0	0.0	0.0
- USA	0.0	0.0	0.0	0.0	0.1
- EU	1.4	1.4	1.4	1.5	1.4
- Others	0.2	0.1	0.2	0.2	0.2
Cambodia					
<i>Total</i>	0.18	0.09	0.13	0.10	0.12
- China	0.11	0.09	0.10	0.08	0.09
- Japan	0.01	0.00	0.00	0.00	0.00
- USA	0.00	0.00	0.00	0.00	0.00
- EU	0.00	0.00	0.00	0.00	0.00
- Others	0.05	0.00	0.02	0.02	0.03
Ecuador					
<i>Total</i>	0.18	0.22	0.40	0.33	0.31
- China	0.00	0.01	0.00	0.01	0.01
- Japan	0.00	0.00	0.00	0.00	0.00
- USA	0.13	0.18	0.29	0.26	0.26
- EU	0.00	0.00	0.01	0.02	0.02
- Others	0.05	0.04	0.09	0.04	0.01
Costa Rica					
<i>Total</i>	-	-	-	-	-
- China	0.00	0.00	0.00	0.00	0.00
- Japan	0.00	0.00	0.00	0.00	0.00
- USA	0.02	0.01	0.02	0.03	0.02
- EU	0.00	0.00	0.00	0.00	0.00
- Others	-	-	-	-	-
Honduras					
<i>Total</i>	-	-	-	-	-
- China	0.00	0.00	0.00	0.00	0.00
- Japan	0.00	0.00	0.00	0.00	0.00
- USA	0.06	0.11	0.07	0.07	0.07
- EU	0.01	0.03	0.02	0.01	0.02
- Others	-	-	-	-	-

	Ghana				
<i>Total</i>	<i>0.65</i>	<i>0.62</i>	<i>0.60</i>	<i>0.61</i>	<i>0.46</i>
- China	0.00	0.00	0.00	0.01	0.01
- Japan	0.00	0.00	0.00	0.00	0.00
- USA	0.12	0.11	0.11	0.10	0.09
- EU	0.44	0.43	0.41	0.39	0.32
- Others	0.09	0.07	0.07	0.11	0.03

	Nicaragua				
<i>Total</i>	-	-	-	-	-
- China	0.00	0.00	0.00	0.00	0.00
- Japan	0.00	0.00	0.00	0.00	0.00
- USA	0.01	0.01	0.01	0.01	0.00
- EU	0.00	0.01	0.01	0.01	0.00
- Others	-	-	-	-	-

	The Philippines				
<i>Total</i>	<i>0.57</i>	<i>0.72</i>	<i>0.97</i>	<i>1.11</i>	<i>1.14</i>
- China	0.01	0.08	0.15	0.12	0.22
- Japan	0.35	0.43	0.47	0.52	0.60
- USA	0.04	0.04	0.11	0.12	0.05
- EU	0.03	0.04	0.00	0.02	0.02
- Others	0.14	0.13	0.24	0.33	0.25

	Canada (to East Asia only)				
<i>Total</i>	<i>10.5</i>	<i>10.7</i>	<i>10.6</i>	<i>9.1</i>	<i>9.5</i>
- China	0.6	0.9	0.9	0.8	0.9
- Japan	8.5	8.1	8.2	7.0	7.2
- Others	1.5	1.7	1.5	1.3	1.4

The following points can be derived from the above table:

- There has been a significant decline in Indonesian timber product exports, down from 26 million m³ RWE in 2002 to 18 million m³ in 2006. Similar percentage declines in exports are recorded for Cambodia (down 32%) and Ghana (down 30%).
- Two countries show a stable export level over the five year period: Malaysia and Cameroon.
- Three countries show significant growth in timber product exports, led by The Philippines (up by over 100%). This growth of exports appears to have been driven by surging demand from China. Ecuador also exhibits significant growth (up 70%), with Brazil showing a 35 % rise over the period; both country's growth reflect a strong increase in exports to the USA.

Conclusions

Taken together a number of regional patterns emerge from this analysis, which may provide some insights regarding the likely development of national timber verification systems within the Verifor countries.

For the Central American countries, external trade drivers for improved forest governance are largely lacking. Therefore, if reform is to happen, it will depend more heavily on demand from national stakeholders, although other aspects of international policy (not trade) may be influential (e.g. human rights, biodiversity).

In West and Central Africa, timber product exports have not been rising in recent years and one major export destination dominates: the EU. It is of no coincidence that VPA negotiations are well advanced in both Ghana and Cameroon, reflecting an apparent strong desire by these countries to retain an important trading partner. The demand from China so prevalent elsewhere (even within the region) does not appear to be evident in either of these two Verifor countries.

Brazil is clearly an interesting country to watch. It is one of the major global exporters that has an important trade relationship with the EU – and one which appears to be growing – but it has yet to commence any sort of timber trading agreement with the EU. This is in contrast to the two other global tropical timber exporters, Malaysia and Indonesia, both of whom already have had prolonged (although as yet uncompleted) VPA negotiations with the EU.