

How to hurdle the barriers

Tropical timber exporters must overcome an increasing array of technical barriers to trade

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ITTO PRODUCER member countries have expressed concerns that evolving product standards and technical regulations in consumer markets are restricting the expansion and diversification of the international tropical timber trade. To assess these concerns, ITTO commissioned a study from the authors to identify and assess product standards, quality grading rules, building codes and other regulations in various markets that affect the trade of wood products and in particular tropical timber.

We used several avenues to collect information. These included a structured questionnaire to tropical timber producers, visits to government agencies and industry associations in both producer and consumer regions, telephone interviews, and a review of publicly available information. The resulting report identifies the gaps between the markets' technical requirements and the ability of tropical timber-producing countries to comply, and proposes ways to address these gaps.

This article provides an overview of the findings of the study; the key terms used—trade barrier, non-tariff barrier and technical barrier to trade (TBT)—are defined in the box.



Stacked: plywood sheets in Sarawak, Malaysia, stacked for curing and inspection prior to export.
Photo: courtesy Samling Corp

Definitions of trade barriers

Trade barrier: a trade barrier is usually a trade policy or action put in place by a national government that interferes with the free-market buying and selling of goods and services internationally. Trade barriers can be in the form of tariffs and non-tariff barriers.

Non-tariff barrier: non-tariff barriers include laws, regulations, policies and practices that either protect domestically produced goods from the full brunt of foreign competition, or artificially stimulate the exports of domestic products. The figure (page 19) gives some examples of non-tariff barriers affecting tropical wood products.

Technical barrier to trade (TBT): through trade agreements between countries, governments set out procedures for ensuring that technical regulations and standards do not create 'unnecessary obstacles to international trade'. However, in establishing technical requirements to protect the health and safety of domestic consumers and to establish product-quality conformity among producers, there exists the potential to create barriers to market access. Requirements that have the potential to be TBTs include product standards, product quality and grading requirements, building codes and other technical regulations.

Situation in major consumer countries

In North America, grade stamp certification is required for any lumber or panel product that is to be used in structural applications. Obtaining third-party accreditation for lumber or panel grade stamps tends to be a costly and onerous process, which may be why very little structural material is made from tropical species.

Canadian and US plant health inspection agencies require all wood packaging and crating material

to be heat-treated or kiln-dried according to the Food and Agriculture Organization of the United Nations' International Standards for Phytosanitary Measures (ISPM 15).

In the European Union (EU), the most significant TBTs are related to panel products, particularly those intended for construction applications. As of April 2004, structural wood panels sold within the EU must be certified to carry the European Conformity (*Conformite Europeene*—CE) marking.

Relative to the impact of CE marking, European formaldehyde emission requirements for wood panels are seen as less of a TBT by many timber exporters. Nevertheless, the issue should be monitored; for example, the EU Construction Products Directive is expected to include further limits on formaldehyde emissions in future updates of its harmonised European Committee for Standardization (Comité Européen de Normalisation—CEN) standards.

Ecolabelling

Another, possibly more pressing TBT affecting tropical wood products in the EU, North America and some other markets is government procurement. Increasingly, federal, state and municipal governments are specifying that all their purchases of building materials, furniture and millwork derived from tropical timber should be harvested legally and originate from sustainably managed forests. Although usually not specifically required, some government contracts make direct reference to wood certified by the Forest Stewardship Council (FSC) or 'equivalent certification body'.

Given the rising market requirement for FSC-or-equivalent certification, it is evident that ecolabelling and chain-of-custody documentation could become a serious impediment to the timber trade—and to the tropical timber trade in particular. The recommendation of this study is that producers and importers of tropical timber work together to

foster dialogue with EU and US governing bodies to explain what is being done to improve forest management and to convey the economic and social impact that ecolabelling and chain-of-custody requirements will have in many developing countries.

North Asia

In Japan, the most significant TBTs for tropical timber products are the Japan Agricultural Standard (JAS) and the Japan Industrial Standard (JIS) for formaldehyde emissions pertaining to 'sick-house syndrome'. Products affected are plywood, particleboard, medium-density fibreboard, structural panels, overlaid panel products, flooring and stair treads. Each product category requires separate certification in accordance with the relevant standard.

At present, neither Korea nor China has TBTs that are significant enough to have any impact on trade.

Situation in major producer countries

Latin America

There is significant variability between the major producer countries of Latin America in the extent to which the industry has been affected by building codes, standards and other factors related to market access, and also the extent to which countries have the capacity to overcome the constraints.

Brazil's timber industry points to several TBTs and other market requirements that it considers to be restraining market access. These include the EU's CE marking, US standards for structural wood panels, phytosanitary standards in major consuming markets (including ISPM 15), US-government homeland security measures, formaldehyde emissions' control, and environment-related issues (including government procurement procedures).

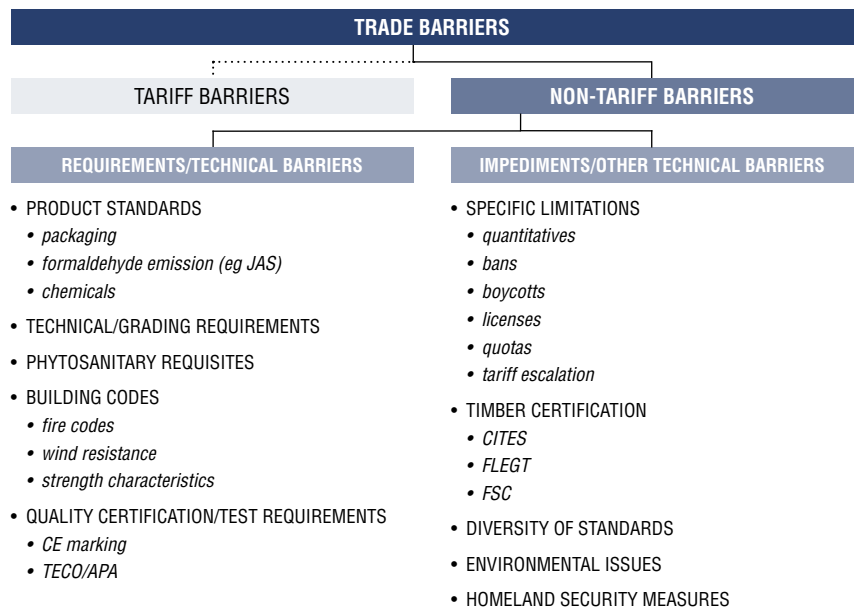
However, the capacity of Brazil to meet the demands of TBTs and other market requirements is higher than in most other Latin American countries. The country has a more structured framework for standards, quality certification, accreditation and testing laboratories, and it also possesses a significant number of large companies that are capable of absorbing costs related to TBTs.

Bolivian producers have reportedly been little affected by building codes, standards and other market requirements. The only case mentioned by the timber industry when surveyed in the course of this study was related to formaldehyde emissions in wood panels and furniture components. The most important factor affecting the Bolivian forestry sector are phytosanitary requirements related to non-wood forest products.

Photo: courtesy Samling Corp

Technical hitches

Flow-chart of non-tariff trade barriers affecting tropical timber



On the other hand, the Bolivian timber industry has received some signs from importers that market requirements will tighten in the next few years. This is a source of concern for the industry, as it will add new costs and further reduce the competitiveness of its products in international markets. The country has a very small capacity to deal with the issue: the forestry sector is largely based on small and medium-sized enterprises (SMEs) that will not be able to absorb the costs related to certain TBTs and market requirements such as CE marking for panels.

The Ecuadorian timber industry has been affected mainly by regulations related to wood-panel formaldehyde emissions in Japan. The perception is that standards are too high and the costs involved in testing/certification make exports to Japan almost impossible. The industry is also concerned about requirements related to security and procurement procedures imposed by government agencies in the US, and it feels that while TBTs and other market requirements are growing, the capacity to overcome them is limited—particularly among SMEs, which comprise the majority of the industry.

Africa

The timber industry in Cameroon has, so far, not been affected by TBTs and other market requirements. This is most probably due to the fact that around 90% of exports comprise sawnwood and (to a lesser extent) logs.

The main concern of the Ghanaian timber industry in relation to TBTs and other related market requirements is CE marking, which is reportedly affecting exports to Europe. Ghanaian companies have difficulty meeting the new technical demands due to the general lack of adequate machinery and also because it does not have in place quality-assurance and certification programs.

The Ghanaian timber industry is also concerned about formaldehyde emissions' requirements and, in general, about growing market requirements on a range of technical, environmental and social issues. Nevertheless, Ghana is one of the most progressive countries in Africa in terms of standards' development and product-testing facilities. The main problem, though, is with the SMEs, which are unlikely to possess the means to absorb the extra costs of overcoming such TBTs.

The general perception of Gabon's tropical timber industry is that TBTs and related market requirements are not a major problem. This is largely attributable to the fact that around 80% of the country's timber exports are in log form.

Southeast Asia

The three TBT issues that most concern the timber sectors in Malaysia and Indonesia are CE marking for structural plywood, the British Standards for structural plywood, and the JAS/JIS for formaldehyde emissions. Although there is an added cost in meeting such market certification requirements, Malaysia has devised an industry solution to address these technical requirements and Indonesia is not far behind. In common with the situation in the other regions, SMEs in both countries are finding it difficult to cope with the demands imposed upon them by the TBTs.

Doha Development Agenda

The World Trade Organization's Doha Development Agenda was set at its 4th Ministerial Conference in Doha, Qatar, in November 2001; it includes issues related to TBTs that affect the tropical timber industry and trade. Discussions on the agenda are broad in scope and still in their early stages. Nevertheless, it is important that tropical timber-producing countries and the industry follow the development of the agenda closely. Particular attention should be paid to discussions related to multilateral environmental agreements and government procurement policies and the implications of these for the international trade of tropical timber products.

Recommendations

Producer countries

We make three recommendations to this group. First, producer governments should pursue greater regional cooperation to help overcome knowledge gaps related to TBTs within and between countries.

Second, governments should establish a solid framework for developing local standards for timber products, certification systems and bodies and laboratory facilities with the aim of overcoming international market barriers and meeting requirements. Governments could, if necessary, seek international support for such development. Likewise, they could evaluate the possibility of also taking this action at a regional level, since this would help efforts to harmonise standards.

Third, governments should cooperate in efforts to avoid the escalation of TBTs and to promote the harmonisation of standards, building codes and other requirements among consumer countries. They should continue to raise the issue of TBTs at international fora such as ITTO and, in particular, they should make efforts to resume discussions on the issue under the Doha Development Agenda.

Major consumer countries

Major consumer countries should address three main issues. First, mechanisms need to be developed and/or improved to ensure that third-party certification does not become a major TBT. For example, governments in importing countries could simplify procedures, taking into consideration existing mutual recognition mechanisms such as the International Accreditation Forum. Another action would be to cooperate with producer countries to develop local skills through technical assistance programs, technology transfer and other activities that would aim to reduce costs associated with complying with market requirements.

Second, consumer governments should endeavour to ensure that procurement policies at all levels of government (federal, state and municipal) do not become a market barrier for tropical timber products.

Third, consumer governments should provide technical and financial assistance to standards' and other organisations in producer countries to put in place effective and efficient national quality assurance programs for product certification in line with market requirements. They could also provide direct technical assistance to the private sectors of producer countries with the aim of enhancing the capacity of the industry to achieve the standards, quality levels and other requirements needed to access markets.

ITTO

ITTO has a critical role to play in enhancing market access. This includes helping producers to overcome their limitations in knowledge and infrastructure and serving as a forum for discussion between producers and consumers on the issue of TBTs.

ITTO should also make funds available to initiate specific programs for overcoming identified knowledge gaps among producers, such as through increased cooperation among members on technology transfer. And, on the infrastructure gap, ITTO should provide technical assistance to producer countries for putting in place a system of 'attestation of conformity' and testing facilities in line with market requirements.

Final comments

The recent spate of TBTs has had a significant negative effect on tropical timber exporters. Some TBTs, such as the EU's CE marking scheme, require the producer/exporter to make major structural changes in operation in order to continue doing business in that market. In most cases, such producers/exporters must also absorb significant additional costs in meeting the new requirements.

There exists a general and growing perception among industrialists and industry associations in producer countries that TBTs have affected many small enterprises and even some medium-sized ones, especially those with poor market intelligence. The inability of such enterprises to cope with new requirements will likely force many out of the markets in which significant TBTs have been imposed. This in turn could have a major impact on employment in the timber sectors of several producer countries.

The study makes a number of recommendations directed at producer and consumer countries and ITTO. The implementation of these should go a long way towards alleviating future disruptions arising from the enforcement of new TBTs in the international tropical timber trade.

For a copy of the study 'Measures to promote the expansion and diversification of international trade in tropical timber' contact Mr Amha bin Buang, ITTO Secretariat, eimi@itto.or.jp