

on logging sites each year due to a lack of optimal use of the resource base and insufficient diversification of timber use by local and regional markets.

Sustainable forest management and related forest management plans and **further timber processing at local level**, through their requirements to add value not only to a larger portion of each felled tree but also to a broader range of timber species, have brought a remedy to wasteful forestry practices.

However the social, environmental and economic impacts of such policy commitments could not have been achieved if not for the concomitant development of local and regional markets.

Ghana and Côte d'Ivoire have been prime champions of these developments, with their ebullient domestic and regional markets. These markets have enabled these two countries to engage early in the use of a hundred odd "secondary" or "lesser-known" timber species and to develop artisanal and industrial units of finished products such as furniture, joinery (doors, window frames, etc.), indoor flooring and outdoor decking.

All these industrialists recognize that through local markets they have benefited from more optimal industrial and commercial returns on all quantities produced. Market segment distribution can be summarized as follows: High-end segment = Export markets; Medium-range = Regional market; Lower range = Local market.

The John Bitar corporation, an industrial firm in Ghana, is a case in point; it has authorized me to quote the distribution of its market share as follows: Countries in the North: 65%; countries within the Africa region: 30%; and local market 5%. This balanced geographical distribution is consistent with the diversification of its industrial production: air-dried sawnwood: 5%; kiln-dried sawnwood: 15%; sliced veneer: 42%; peeled veneer: 37% and finished moulding products: 10%.

In the case of this firm in Ghana, Bitar Group even uses a portion of the main limbs of felled trees to manufacture panels with butt-jointed rippings and sawing residues.

Arguably, Ghana and Côte d'Ivoire have made great strides towards the industrial model prevailing in countries of the North where logging and processing wastes are now fully used in heat-generation and composting systems. Such a use of timber by-products in wood-based bio-energy generation will be greatly efficient in the efforts to combat deforestation caused by fuel wood harvesting practices in the Tropics.

In addition, significant economic development trends in many African countries where raw materials attract investors have been noteworthy – these countries have experienced GDP growth rates within the 2-3% range in 2009 according to IMF forecasts and 4 to 5% for 2010. Many European countries would be contented to achieve these growth figures.

Local and intra-African markets have therefore brought about not only an optimal use of the resource but during this period of global recession, only the local and intra-African markets have been able to provide a lifeline to the industrialists of the Continent.

Locally based timber processing operations (together with local and regional markets) have long been advocated for their potential to generate “local jobs”; they have now also become necessary with regard to environmental consideration, as they increase potential forest values through the three marketing components: local market + intra-African market + export market.

B) Access to intra-African markets

Assuming local market conditions are consistent with population density, access to intra-African markets depends on three key factors:

- Duty-free trade zones, refundable VAT, and even tax incentive schemes;
- Available transport facilities;
- Consumption of timber products.

B1) Free trade and enabling environment

At an early stage, countries have clustered to facilitate land and/or river transportation and these clusters of countries have led to a harmonization process between their respective customs regulations and the emergence of free trade areas. Currently there are two prominent free trade areas in the sub-region:

- **The CEMAC Zone**, was historically the first one with UDEAC (*Customs and Economic Union of Central Africa*) created in 1964 and further modified in 1972 to include six (6) Congo Basin countries, requiring an access to the Atlantic ocean for Chad and the Central African Republic, which have all been members of the *Francophonie* (except for Equatorial Guinea) and use the CFA Franc. These six (6) countries (Cameroon, CAR, the Congo Republic, Gabon, Equatorial Guinea and Chad) represent a market of 35 million people, hence a consumer market in its own right. The discovery of oil deposits in five of these countries (the sixth being the unfortunate CAR) has brought about an undeniable economic prosperity.
- **The ECOWAS zone**, was created in 1975 and includes 15 countries (Benin, Burkina-Faso, Cape-Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra-Leone, Togo), including 3 land-locked countries which depend on others for their access to the sea (Burkina-Faso, Mali and Niger). This area containing some 300 million inhabitants, i.e. as many potential consumers, include three of the richest countries in the region: Nigeria, Côte d'Ivoire and Ghana.

These two zones are progressing towards their fiscal and customs harmonization goals and are already vibrant intra-African markets, including through their supplying non-forest countries in the Sahel belt (Senegal, Burkina-Faso, Mali, Niger, Chad) in forest products. However, it should be noted that countries with low level of local processing such as Liberia and Sierra Leone have maintained very high import duties, which tend to significantly slow down trade.

The two zones (CEMAC and the Economic and Monetary Union of West African States -- UEMOA) using FCFA as single currency supported by the Euro, have also generated stronger economic stability. Such is not the case of Nigeria which, in spite of its prosperous economy, experiences great difficulties in finding the hard currencies required to convert its *Nairas* and pay for its timber imports.

Trade within these two zones is still plagued by an array of challenges relating to VAT recovery or VAT-reclaim solutions, bureaucratic hassles and procedures at border-crossing, etc. Therefore moves by Ghana to create VAT-free zones within the country should be commended as such moves eliminate the VAT recovery problem.

Morocco is a case in point to illustrate how trade flows can be impeded; this country imports most of the industrial timber used domestically:

- In 1987, Morocco decided to apply a 55% tax on various imported products including timber but not including timber from countries experiencing economic difficulties such as Liberia, Democratic Republic of Congo, Equatorial Guinea and the Central African Republic.
- In 1994, Morocco becomes a full WTO Member.
- Since that date and in spite of its commitments, Morocco has still to change its tariff restrictions, which causes a serious constraint on imports from other producer countries.

African Governments should seriously consider lifting the administrative and fiscal hurdles impeding the intra-African trade.

These free trade zones should be extended to other African countries, such as Northern African and Southern African countries which are traditional importers of large volumes of timber from Europe and, more recently, Asia. The Organization of African Unity (OAU) has a key role to play in this process by stimulating local consumption of African timber through tax incentives.

This vast free-trade zone for African logs should also be extended to countries such as Nigeria, Ghana and the Republic of Cote d'Ivoire, which are now starved of raw materials.

The role of banks is equally important in this regional trade as they provide financial support to businesses (market studies, financial information on customers, submission of banking documents, export credit services, discount notes, shorter settlement delays, etc.). However, several industrialists have complained of the sluggish pace of "commercial documents" transfers between different African countries; and there are those hassles by African banks (e.g. in Nigeria) who deliberately delay settlement dates by unjustifiably increasing bureaucratic hassles. The creation of new international African banking networks will support the export trade. In this particular aspect, some awareness-raising, or even effective measures, should be initiated by African Governments themselves.

Finally, in the area of trade, we should not underestimate the great importance of **telephone and Internet communication networks**. The number of countries with broadband Internet access is still too limited and electronic communications are still difficult, which slows down any expansion of trade. However, noticeable progresses have been achieved and the shift to Internet communication is a strong asset for the healthy development of both regional and international trade. Governments should understand the significance of this trend and promote investments in future communication networks and facilities.

B2) Intra-African transports

Rivers had been the early links between various African countries (Congo, Ogooué, Niger), as they provided natural access routes, and for a long time the Congo River remained the prime communication link for forest areas lying in Northern Congo and the DRC but also for the forests of South-eastern Cameroon and the Central African Republic. Ironically, the strategic significance of this river was brought to attention by the regrettable interruption of the CFCO railway link (*Congo Ocean Railways Corporation*) between Brazzaville and Pointe-Noire in 1990 which caused the transport of over 100,000 cu. m. of timber to be held up and the Northern areas to become land-locked again; however, road transportation promptly proved to be the most convenient and reliable means of shipping.

As can be seen from the CFCO story, **railroad systems** in Africa play a significant role in opening up landlocked areas at country and regional level. The Transgabonese Railway will soon establish international communications with North-eastern Congo. The RAN (Abidjan-Niger) is to interconnect Burkina-Faso. The Trans-Cameroonese Railway connects Chad with the Douala Port. And while the Ghana Railways cannot be set as an example, it should be noted that the African railways systems play a very positive role in the Intra-African trade due to the lower costs of railroad transportation over longer distances – a fact highlighted by the oil crisis. But **road networks** being flexible infrastructures requiring little investment, they do have a future in Africa. Yet, while land transportation can be of value for adjoining areas and countries – some of them landlocked –, **maritime shipping** can also provide access to international markets, including in most cases intra-African markets. **Port transit procedures**, which come first in any maritime shipping, is usually unchanged regardless of the final destination. Port transit must be fast and reliable and Governments must encourage competition among international traders. While a major constraint of the intra-African trade has been the low efficiency of **maritime shipping links** with African ports – it has always been easier to ship a smaller consignment of logs from Africa to Europe than from one African port to the next on the same coast –, the use of **containers** has introduced a revolution in the shipping industry.

An additional benefit of container shipping is that it makes it a lot easier to ship other types of products than logs, which has helped spur local log processing activities. Furthermore, by making it easier to break down and dispatch larger consignments and transshipments towards less busy regional destinations, container shipping has proved a valuable ally of the intra-

African trade for processed and finished timber products. Nevertheless, it remains necessary for Governments to help corporations engage in international competition and obtain competitive shipping rates for these destinations. One is always surprised to find that shipping rates for Africa-to-Europe lines (or even Africa-to-Asia routes) are *lower* than intra-African shipping rates.

Finally, we'd like to draw the attention to the **traffic congestion affecting African ports**, and the weakness of "bonded warehouse facilities" in these ports. This under-capacity is an insurmountable constraint when lengthy intra-African banking procedures delay the submission of customs documents, which is almost always the case. Shipping time has to be shortened, to compensate for banking procedure often taking more than 10 days for regional transactions such as Gabon/Ghana or Cameroon/Ghana or even Cameroon/Dakar. As a result of this quandary, many intra-African transactions are subject to an obligation to pay up 100% of the value of goods prior to boarding them on ship – a penalizing policy which often discourages the transaction. This constraint must be lifted!

B3) Consumers' preference for African timber products

But there can be intra-African trade only if there is an African consumption of African timber products. One always feels sorry to see Government buildings, hotels and houses in Africa all fitted-out with imported aluminium or PVC door and window frames. There is even an international hotel chain, here in Accra, which has wood furniture made of wood imported from Europe – a tale-telling fact in a forest country which exports its products to Europe! African Governments have promotion campaigns for African timber to undertake to tackle this issue. I'll address this issue in my conclusion.

C) Threats to intra-African markets

Local timber processing and national and intra-African markets are exposed to serious threats and while it is easy for a Government to track logs during loading or unloading operations, it is less easy for it to control:

- **Operations of the smaller informal sector**, which are expanding on the entire African continent through the use of chainsaws and portable sawmills; these operations can hardly be viewed as reprehensible when they help meet the needs of local communities but become a problem when used on a larger scale to supply the trade.
- **Illegally harvested forest products** which are absorbed unnoticed by processing mills.
- **The use of undersized logs and the felling of trees below minimum girth limits**, which are practices always difficult to detect when processing mills are complacent.

- **Illegal export of logs or forest products** with fake bills of lading bearing false information on final destination particulars, the ship being secretly re-routed once on the high seas (e.g. a surrealistic case, this would mean one consignment of logs with a B/L stating Tema as ostensible destination being actually exported to Abidjan).
- **Illegal exports of CITES-listed or undersized products** when these products are already in containers.

On the issue of fraud, I'd like to elaborate on a number of proposals put forward on behalf of ATIBT in ITTO meetings in Port Moresby and Yokohama back in 2007:

There are two possible volume differences for logs and timber products:

- **A perfectly legal volume difference** resulting from *defect reduction* – a practice whereby commercial timber is quantitatively pared of natural defects both before processing (shakes, knots, stains, rots, etc.) and after processing (irregular sawing, irregular veneer thickness and other irregularities on finished products). Different measuring systems, including the Hoppus measuring system, derived from the English Imperial and metric systems, can also generate differences in conversions. These conversions to the regular dimensions of another system can generate quantitative data differences acceptable within the 0-4% range. Similarly, it is legitimate to accept 2 to 5% volume under-reporting to account for the drying process. ATIBT has defined clear standards for these practices.
- **Deliberate and unjustified volume data differences** through under-reporting the sizes of marketed products. For instance, an exporter who invoices timber sales per inches will tend to add “extra-thickness” to respond to the demand of his importer customer who will establish his own invoice in cm to the higher metric dimension. For instance, sawn wood invoiced at 1.5 inch, i.e. 38.1 mm, will often be sawn to the next standard – 41 mm – with an 8% size over-rating and this practice is often accepted. However, it can be tempting to quote an extra-thickness to achieve the next standard, i.e. 43 mm. In such case, size over-rating becomes +13%. Quantitative over-reporting or over-rating can occur on any product data (thickness, width and even length) for any product type, including sawn wood, veneer, and even finished products such as flooring, mouldings, etc. **Data differences of this magnitude constitute a fraud**; they hurt State interests, and they also hurt legitimate traders by creating an unfair competition (and generally damage the image of timber as a material !)

The complexity of timber scaling is the result of a long-standing tradition in the trade to re-scale volumes (to account for defect correction) of commercial timber rather

than adjusting sale prices. This tradition, which may take different forms in each country, sometimes adds to the anarchy of scaling methods for timber products, which vary among industrialists within one country. That is the reason why we have proposed consultations within the timber trade, to be held under the aegis of ITTO, aiming to work out an overall harmonization method and a transparent definition of measuring procedures for the various products.

While container shipping and the invoicing of “boxes” per unit or per ton of consignment eliminate the fraud on volume data reported for maritime shipping, they cannot eliminate the possibility of fraud on consignment volume contents, which can be falsified in declaration to both Forest and Customs Departments – a damaging practice for producer countries.

D) Conclusion

We have demonstrated that Intra-African markets are necessary for promoting sustainable forest management, local jobs and the optimal value-added processing of raw material. In addition, the recovery of logging residues and processing waste is part of the effort to combat deforestation and global warming.

While industrialists stand to benefit from the positive impact of the healthy development of intra-African markets, Governments have a key role to play in the promotion of these markets, by:

- promoting the use of timber products including through regional-level promotion campaigns;
- removing intra-African custom barriers, establishing tax incentives and developing banking services and other services;
- facilitating regional transports, improving port capacities and the access of regional service companies to competitive tendering processes.

We propose that consultations be organised in each producer country, between the Government administration and industrialists, to identify constraints and challenges to both export and import trade in the targeted countries, and that an agenda of concrete actions be adopted to address the issues facing the intra-African trade.

Governments involved in this commercial chain (which could also be viewed as a “solidarity chain”) should also be very anxious to curb illegal forest product harvesting practices. Reliable tracking systems to ensure the legal origin of products should be established in producer countries for both intercontinental exports and the intra-African market. Importers in consumer countries of the African region should also require reliable product tracking procedures.

A promotion action for African timber products can be encouraged by ITTO, ATO and the OAU. **“Use African timber products legally harvested in sustainably managed forests”** could be the theme of a 2010 campaign covering all African countries and/or during the next OAU meeting. Racewood-types of campaign, involving exhibitors’ booths, should be started

from major African cities in prime consumer countries such as Johannesburg, Cape-Town, Durban, Lagos, Dakar, Casablanca, Algiers, Tunis, Cairo, Khartoum, etc.

Finally, as proposed, ITTO could sponsor policy studies on “Timber Product Measuring”, to contribute to secure legality and transparency in the tropical timber trade. ATIBT and myself could offer our professional collaboration to these studies.

Thank you for your attention.