

# FREE TRADE AGREEMENTS AND WOOD EXPORT IN WEST AFRICA: NIGERIA AS A CASE STUDY



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# Outline of Presentation



- I. Introduction
- II. Overview of trade in forest products in West Africa
- III. Forest products trade in Nigeria
- IV. Comparative analysis of forest products trade in the West African sub-region
- V. Timber product trade and regional needs
- VI. Conclusion

# **INTRODUCTION**



# Free trade agreements and the theoretical arguments Cont...

The counter arguments against free trade are in the economic and moral domains.

The concerns are:

- **Weakening the domestic industries**
- **Undermining long-run economic development**
- **Income inequality**
- **Environmental degradation**
- **Accentuating poverty in poor countries**
- **Corruption/sharp practices/rent seeking**



# **OVERVIEW OF TRADE IN FOREST PRODUCTS IN WEST AFRICA**

# Timber trade in West Africa

The West African sub-region is an important producer of wood products, although production is dominated by industrial round wood and primary processing (mainly the production of sawn wood and wood-based panels).

Historically, countries in the sub-region have been log exporters. However, many have enacted legislation banning log export in order to encourage domestic processing and value adding.





# Timber trade in West Africa Cont...

Timber trade in the West African sub-region is influenced by local, regional and overseas demands, with Europe being an important market for the major producing countries in the region.

However, log export restrictions have rendered trade in timber resources illegal in most west African countries.

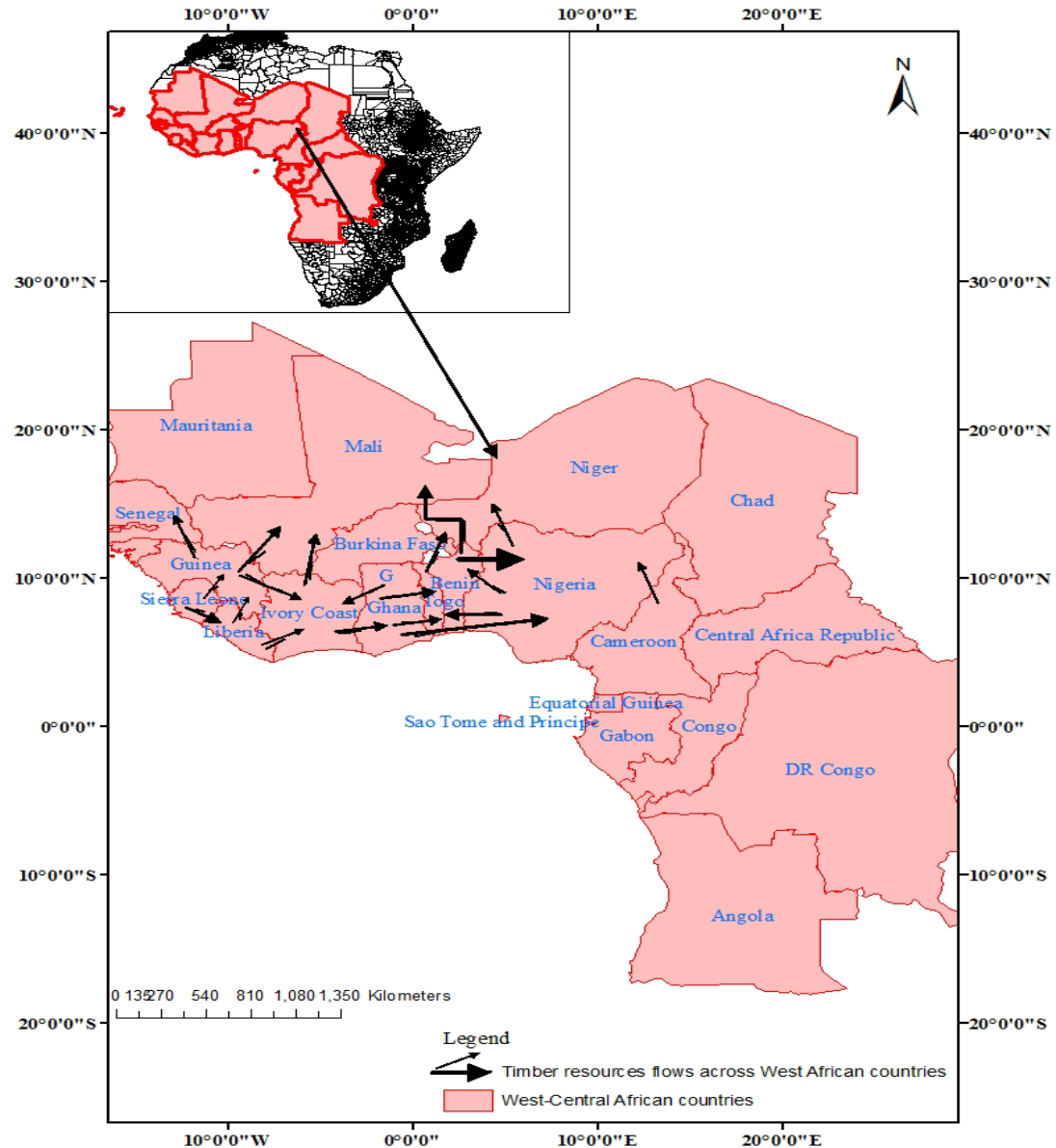
Much of the demand for wood product in the region is for cheap rough-sawn and low-grade timber used in construction and joinery with regional markets serving as further stimulus for illegal chainsaw logging.





# Timber resources flows across the sub-region

- Sawn-timber from Ivory Coast and Ghana to the Sahel
- Logs and sawn-timber from Cameroon to northern Nigerian states
- Plywood from Ghana to Benin, Nigeria and Togo
- Sawn-timber from Guinea Conakry and Liberia to Ivory Coast
- Sawn-timber from Sierra Leone to Guinea Conakry
- Sawn-timber from Ghana and Nigeria to Benin and Togo.



# Timber resources flows across the sub-region

## Cont...

Important destinations for timber exports are European markets, USA, China and India with buyers from the latter two nations becoming increasingly active in the sub-region.

Indian buyers are particularly focused on sawn-timber and poles of *Tectona grandis* while Chinese interest is in logs and sawn-timber of a wide variety of species including cam wood, *Triplochiton scleroxylon* and false-teak or vene.



**Table 1: Main timber species harvested and traded in West African countries**

French name	Common/Trade name	Scientific name
Acajou	African mahogany	<i>Khaya ivorensis</i>
Ako	Antiaris	<i>Antiaris toxicaria</i>
Azobe	Ekki	<i>Lophira alata</i>
Badi	Opepe	<i>Nauclea diderrichii</i>
Frake	Black afara, idigbo, emeri	<i>Terminalia ivorensis</i>
Framire	Afara	<i>Terminalia superba</i>
Fromager	Ceiba	<i>Ceiba pentandra</i>
Iroko	Iroko	<i>Melicia excelsa</i>
Lingue	Afzelia	<i>Afzelia africana</i>
Niangon	Niangon	<i>Heritiera utilis</i>
Samba	Wawa	<i>Triplochiton scleroxylon</i>
Sapele	Sapele, utile	<i>Entandrophragma spp</i>
Teak	Teak	<i>Tectona grandis</i>
Vene	False-teak, African rosewood	<i>Pterocarpus erinaceus</i>

# **FOREST PRODUCTS TRADE IN NIGERIA**

# Log export in Nigeria

Nigeria ranked second amongst the seven largest tropical wood producing countries in Africa in 1966 (Adeyoju, 1975).

Log exports were high during the 1960's, with a peak in exports of between 773,000m<sup>3</sup> and 781,200m<sup>3</sup> in 1964, with a value of about US\$ 18 million.

By 1970, the forestry sector generated about 2.5% of Nigeria's Gross Domestic Product (GDP), with wood and wood product exports accounting for about 1% of total foreign exchange earnings,



# Log export in Nigeria Cont...

However, the advent of trade in petroleum has led to a decline in timber exports over the years.

Although production of industrial roundwood had doubled from 1962 to 1971, the value of logs, lumber and plywood exports had fallen from N13.8 million to N6.8 million.

The value of forest product imports over the same period increased from N12.4 million to N31.8 million, implying that Nigeria became a net importer of forest products.





# Log export in Nigeria Cont...

In 1976, the Government banned the export of unprocessed logs of indigenous species logs and rough-sawn lumber to protect supplies of round wood to the local market, which was expanding fast because of increase in local purchasing power and an expansion in the construction industry.

This led to some reduction in exports.





# Log export in Nigeria Cont...

In 1985, there was a further ban on all wood product exports (whether processed or not), excluding only furniture components and *Gmelina* wood.

However, in the early 1990's to the end of that decade, there was an upsurge in the extraction and export of Teak.

Much of this trade was not properly controlled, so it is difficult to assess the volumes that were extracted and exported with any accuracy. It was fraught with a lot of irregularities that did not make accounting easy.



# Log export in Nigeria Cont...

Timber processing industries are permitted to export semi-finished or finished products, which are principally flooring planks/parquettes produced from *iroko* and *afzelia*. Export of teak and *gmelina* logs is also permitted.

Nigeria is a very convenient market for Ghana, with high prices paid and no concern about the legality of raw materials.



# Log export in Nigeria Cont...

Cameroon has banned the export of certain log species and struggles to halt export of illegally produced timber to Nigeria.

Yet, a high proportion of timber sourced from Cameroon has been brought illegally into Nigeria to avoid tariff and is being laundered in the Nigerian domestic market.

Cameroon is also reported to be the main source of logs and sawn-timber for Nigeria's central and eastern states.



# Log export in Nigeria Cont...

Nigeria timber exports to Europe have been quite wobbly.

Unknown quantities of teak are also shipped to India from the country.

Harvesting is mainly by uncontrolled chainsaw loggers and therefore has, at best, only the quasi-legal status conferred by issuing of official waybills.

The teak plantations are apparently being devastated as a consequence of this trade.



**Table 2: List of important timber species most traded in Nigeria**

<b>No</b>	<b>Timber species</b>
1	<i>Terminalia superba</i> (Afara)
2	<i>Triplochiton scleroxylon</i> (Obeche)
3	<i>Khaya</i> spp (Mahogany)
4	<i>Mansonia altissima</i> (Masonia)
5	<i>Entandrophragma cylindricum</i>
6	<i>Mitragyna ciliata</i> (Abura)
7	<i>Lophira alata</i> (Ekki)
8	<i>Azelia africana</i>
9	<i>Lovoa trichiliodes</i> (African walnut)
10	<i>Gmelina arborea</i>

# **COMPARATIVE ANALYSIS OF FOREST PRODUCTS TRADE IN THE WEST AFRICAN SUB-REGION**



# Export and customs procedures in West Africa

A strong similarity exists among systems and the roles of the government forestry and customs authorities in the sub-region.

The former is responsible for verification of exports and contract conformity and issuing of certificates of origin, and the latter for final inspection against export and loading statements.

In many of the West African countries, implementation demonstrates weaknesses and widespread opportunity to circumvent requirements and best practices.





# Export and customs procedures in West Africa Cont...

The situation described has led to a booming local demand for low-grade and low-cost timber and plywood.

Much of this demand is for the construction industries within West Africa, and also, the Sahel countries, which are deficient in timber and processing industries.



# Export and customs procedures in West Africa Cont...

The EU, which for a long time has been a strategic market for timber from the sub-region, is becoming less important, perhaps due to strict governance issues, while the importance of the Indian and Chinese markets is expanding, particularly for teak and false-teak woods.

Indian and Chinese buyers are increasing the pressure on forest resources. Problems of exercising control and prevalent perceptions that illegal activities are encouraged are facilitating deregulation of timber harvesting, transport, trade and industry.



# Timber product trade and regional needs

Although the forest products export industry is significant, it is poorly integrated with the national economies, with negative effects on both the patterns of economic growth and the satisfaction of domestic market as well as regional needs.

An imbalance in purchasing power between international and domestic markets, and the resulting over-concentration of effort on profiting from the potential of the export trade has left legitimate domestic demand unaddressed.



# Timber product trade and regional needs Cont...

In a rapidly urbanizing economy such as Ghana, Gambia, Nigeria and post-conflict Sierra Leone and Liberia, the result is a domestic market that is sourced almost entirely illegally.

In Liberia, reconciling lucrative opportunities in the international market and domestic demand in an economy with low population and low purchasing power remains a significant challenge.





# Timber product trade and regional needs Cont...

A common strategic framework is needed to generate meaningful data on local, national and trans-boundary trade and their impact in the sub-region. This will make for proper valuation and accountability in the forestry sector.

Enforcement, negotiation and knowledge generation and sharing capacities of the governments' forestry agencies in the sub-region need to be overhauled in line with contemporary requirements.



# Timber product trade and regional needs Cont...

Tight controls exercised by the state over the forest, justified by its status as a strategic national resource, need to give way to incentives-based strategies aimed at stimulating the sustainable supply of timber, forest products and services, while shifting authority from state to communities and land owners.



The value chain in the forest product trade in the sub-region is still largely inefficient arising from obsolete technologies and weak governance in the timber segment. This needs to be addressed.

# In sum...

- Comprehensive resource assessment
- Stimulation of private and community involvement in forestry development
- Technology
- Market information
- Review of forestry and environmental statutes
- Education and Research



# Conclusion

Policy and market failures have continued to underpin poor forest governance in the West African sub-region and are evident in badly functioning and distorted markets with poor and perverse incentives to manage and conserve the resource.

Countries like Ghana, Ivory Coast and Liberia that are involved with the International Timber Trade Council and Organization (ITTTC/ITTO) on forest certification need to demonstrate commitment. Similarly, Nigeria has a strategic role to play, given its economic status in the sub-region.

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