International Trade Of Forest Products: Research Summary

Introduction

A forest is a complex ecosystem consisting primarily of trees that buffer the earth and supports a myriad of life forms. These trees help in creating a sustainable environment which, in turn, affects the kinds of animals and plants that can exist in the forest. Trees are an important component of the environment. They clean the air, cool it on hot days, conserve heat at night, and act as excellent sound absorbers. ('What is a forest?', 2007) International trade enables countries to expand their markets for both goods and services that otherwise may not have been available domestically. As a result of international trade, markets contain greater competition, and are therefore more competitive with price ranges, which allows the consumer to bring a cheaper product home. International trade is the exchange of goods and services between countries which gives consumers and countries the opportunity to be exposed to goods and services that are not available in their own countries, or which would be more expensive domestically. The importance of international trade was recognized early on by political economists like Adam Smith and David Ricardo. Still, some argue that international trade can be bad for smaller economies, putting them at a greater disadvantage on the world stage. (Heakal, 2019)

Issues surrounding the proper role and scope of large-scale industrial development and the sources and requirements for investment. Historically, forest industry was primarily owned/controlled domestically, often with direct involvement of the government. Technology was frequently simple and inexpensive. Development of modern industry capacity has however led to large economies of scale, with larger production capacity, larger raw material input requirements, and newer and more expensive technology. Not infrequently the capacity to develop modern industrial structures has led to foreign investment and the sharing of control and management between private and public bodies. Concerns regarding 'foreign control' of forest resources, charges of reckless 'exploitation' without regard to environmental consequences or future conditions are also common. (Waggener & Lane,1996) Countries currently faces a wide array of issues when they seek to trade forest products internationally and includes timber certification, product substitution, internal and external market barriers and the demand for forest products.

Research Summary

International trade in forestry products may involve producing forest products, such as paper, in one country, sourcing timber from another country to meet production demand and then exporting the finished products to other countries. This pattern of production and consumption however has implications for governing forest ecosystems. When products are traded internationally, environmental impacts are simply transferred between countries as the importing nation does not experience the environmental impacts of production as felt by the exporting nation. In Finland wood and forest products accounted for approximately 19 per cent of the total value of all goods exported in 2007. ('International trade in forest products transfers environmental impacts', 2010) In the modern world, forests play a pivotal role in the general economy of every country. The significance and usefulness of forests dates to the days where

mankind learnt the merits of a settled life. He would use wood for fuel, as well as thatching and making huts; wild fruits and leaves would be consumed as food, and tree barks used as clothing. The forests were also hunting grounds and a retreat from enemy attacks. (Shah, 2019)

The forestry and forest products industry are focused on wood and its uses. Wood is used to build houses, furniture, flooring, shipping containers, and a wide array of other products. Forest products also include wood pulp, which is the primary ingredient used in making paper. Wood used to make commercial products is referred to as lumber. Among the steps that occur to turn a tree into a commercial product are harvesting or the removal of trees, conversion of the raw material into finished products, and marketing and distribution of these products. Most of a nation's lumber production comes from commercial forests, and of that, approximately 91 percent of wood harvested comes from privately owned forests. Forest products currently accounts for about 4 percent of the U.S. gross domestic product (GDP). The American Forest and Paper Association (AF&PA) reports that member companies produce more than 75 percent of pulp, paper, paper-based packaging, and wood-building materials consumed in the United States. Forestry and the forest products industry employs more than 900,000 workers in a wide range of jobs in 47 states. ('Forestry and Forest Products|Vault.com', 2019) This show that the forestry and forest products industry serve a vital role in not just generating income as apart of the economy but also provides a significant number of jobs to both a skilled and unskilled workforce. Forest products are also seen as a source of significant employment and income in the Asia Pacific Region. (Waggener & Lane,1996)

Timber, nuts, fruits, resins, gums and charcoal are a few of the many forest products that people have been collecting and harvesting for centuries. On the other side of the forest boundary, commodities such as palm oil, rubber, soybean and coffee, as well as activities such as mining are replacing large tracts of forests to fuel local economies and meet the demand for food, fuel and fiber. With increasingly globalized economies and interlinked financial systems, the demand for forest products has never been higher. Forest products and trade associated with such assesses the reasons and implications of the investment and trade in diverse commodities at different scales, from wild food collection for household subsistence to agribusiness on the global market. Despite the wide-ranging nature of this topic, there are some common threads of concern which often includes, management practices – whether forest-dwelling communities collecting nuts, local mining operations extracting coal or internationally owned biofuel plantations – do not mitigate environmental costs or address sustainability of forests. There is also the concern that local livelihoods are not improving following the extraction of resources or land-use change in their surroundings. The Center for International Forestry Research (CIFOR) was therefore established to investigate how forest products, trade and investments can minimize the negative impacts on the environment, address sustainability, have positive impacts on rural livelihoods, and generate economic benefits to society at large. (Research & Trade, 2019)

Amongst the issues faced when countries seek to trade forest products internationally includes timber certification, product substitution, internal and external market barriers and the demand for forest products. More recently, major issues surrounding certification of timber, primarily tropical timber, arise as a means of assuring environmentally sound and sustainable forest management which have given rise to concerns of market control. Whether or not markets will respond favorably to certification, in terms of the willingness of consumers to pay more for 'certified timber' enough to differentiate markets is currently uncertain. Furthermore, whether certification and the potential of closing markets to non-certified producers is either a necessary

or enough incentive to change forest management is also unresolved. (Waggener & Lane,1996) The issue of certification of sustainably and the management of forests also relates to the WTO Agreement on Technical Barriers to Trade. Mr. Sorensen claims that certification and labelling of forest products are complementary to forest management policies. In the opinion of Messrs. Hansen and Juslin, forest certification is described as “a certificate awarded by an independent party, verifying that the forests have been managed in accordance with principles of sustainability”. (Hirsch, 2000)

In relation to product substitution a related marketing issue is the potential for substitution of other timber and non-wood-based materials for traditional uses of forest products in response to scarcity and price movements. Consumption decisions involving forest products primarily involves the consideration of other available products and prices. A major determinant of demand is the price of a specific timber product relative to other products. In ordinary economic relationships the concept of demand and supply specifies that as price of a good increases, consumers will choose less of that item. As the relative price increases, consumers will choose to switch to acceptable substitute products instead of forest products. This relationship is expressed as 'own-price' elasticity and 'cross-price' elasticity, which both indicates the relative responsiveness of demand to price changes. (Waggener & Lane,1996)

The system of Government of a country plays a pivotal role in the issue of internal market barriers in relation to the allocation of resources within countries. The issue of the environmental benefits of removing trade restrictions and distortions is the issue on which greatest progress has been made in the CTE since the 1996 Singapore Ministerial Conference. It is particularly important to the work of the CTE in that it holds the key to the complementarities that exist between sound trade policy-making and sound environmental policymaking. (Hirsch, 2000) Where governments are the primary owners and source of resources major decisions regarding the terms and conditions for access to resources, controls over the allocation for specific uses (including export), tariffs and fees, royalties or other payment for timber, and different policies for alternative uses and marketing of products (including export taxes), all influence decisions on the levels of production and the markets they serve. Likewise, trade barriers imposed on imports for the purpose of protecting domestic industries or to discourage consumption of these goods also impacts the structure of industry and the allocation to markets, both domestic and international. (Waggener & Lane,1996) Global movement towards a more open and free trade between markets would result in a continuing trend of reducing such barriers. Formation of regional trade blocs, however, would mean a move towards a set of regional trade preferences to the disadvantage of external countries. Evolution of the EC trade policies, the North American Trade Agreement, and the possibility of new and expanded agreements to the exclusion of ASEAN is a continuing issue of importance to the Asia Pacific Region. Despite major initiatives to reduce trade barriers, the outlook is not entirely encouraging. (Waggener & Lane,1996)

Many factors contribute to the global demand for wood products. These include population, not just its overall size but its growth rate, levels of urbanization, migration and changing age structures. The population density in any given country, particularly density per unit of forest, provides a relatively good indication of the pressure placed on the country’s forests and other resources. Increases in working age populations and in levels of urbanization tend to increase the demand for housing which in turn increases the demand for wood products used in construction and furnishing, though urbanization can also reduce demand for wood fuel, as access to electricity and alternative forms of heating is generally easier in urban than in rural areas. (Brack, 2018) Global aggregate demand for forest products continues to grow in

response to the growing population and developing economies increasing the ability of many countries to increase the consumption levels. Uses of timber for construction and other end products differ by region and culture and in large is partly shaped by the historical availability and price of timber. Yet as these underlying determinants to demand change, individual countries and regions continue to experience various patterns of shifting demand. As noted above, the relative responses to these changes with respect to prices (elasticities) has significantly affected the ultimate patterns of distribution of forest products for consumption. (Waggener & Lane,1996)

Conclusion

Forest products currently accounts for approximately 4 percent of the U.S. GDP and the forestry and the forest products industry employs more than 900,000 workers in a wide range of jobs in 47 states. The American Forest and Paper Association (AF&PA) reports that member companies produce more than 75 percent of pulp, paper, paper-based packaging, and wood-building materials consumed in the United States. Illegal logging and trade are one of the most pressing challenges in forest governance affecting not only forest ecosystems, but also livelihoods, security and the rule of law. It can be regarded as an effect of poor governance and is often associated to armed conflicts, for the proceedings of illegal timber sales may be used to fund them (Dooley and Ozinga 2011, Noguerón et al. 2018). As noted, the scale of operations must often expand due to marketing and distributional requirements separate from internal manufacturing considerations. The proper role of government in the promotion and control of trade, by both importer and exporter countries, lead directly to many issues of competitiveness and open trade. (Waggener & Lane,1996)

The international trade of forest products can be deemed ethical in the sense that the policies put in place by governments and other private organizations prevents deforestation and the illegal manufacturing of forest products. The trading of these products also helps in economic development of the countries which engage in such trade.

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