Crisis and changes in concessions ownership in Central Africa

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A shift in the international timber trade

Exports to EU declining, China has become the largest client, India and Vietnam more active on African markets

In 2017, Gabon exported 420 000 m³ of sawnwood to China, more than Indonesia or Malaysia
Crisis of EU companies and its impact on certification

- In early 2018, the Africa branch of Rougier announced its bankruptcy
  - Rougier sold its concessions in Cameroon and CAR to a Cameroonian company, and will focus on Gabon (Congo Bzvl ?)
  - FSC certificates in Cameroon not renewed before the sale
- Wijma (the first company FSC certified in C. Africa) sold two concessions to Vicwood (China), one to SFE (China) and one to a Cameroonian company
  - FSC certificates suspended
- The Italian Cora Wood in Gabon had to sell one of its concessions to a Chinese company to pay off its debts
- Total area of FSC certified had declined in the last two years from 5.5 million hectares to 4.8 million ha
The end of a cycle?

• Difficulties closely linked to the deficit in main commercial species (Sapelli for Rougier in Cameroon, Azobé for Wijma) by the end of the first felling cycle (less productive AAC entering in production)

• Shift to “lesser known species” not achieved, plantations lagging behind, investment in technical/marketing innovation not sufficient

• Markets for “Forest Management” certified timber narrowing with the new trade flows and the competition with “legality certificates” for due diligence requirements for EUTR

But not all certified companies in economic turmoil: some successful companies (Precious Wood, CBG) in Gabon and a wealthy Olam (2 million ha) in Congo
Uneven playing field

- Large European companies have gradually complied with legal standards by preparing Forest Management Plans (FMPs) and get certified.
- Apart from Olam (2 million ha in Congo), no Asian company has seriously sought to become FSC-certified, so far.
  - Asian companies often accused of illegal activities, as in Gabon, recently.
  - The export of timber, logs included, in containers randomly inspected, facilitates trafficking.
  - Law enforcement is poor, partly explaining the differences in profitability between companies.
- European concessionaires gradually selling their assets to Asian investors.
  - Emerging national companies to compete for exports (e.g. Cameroon), but often with Asian partners (e.g. “ventes de coupe” in Cameroon).
- But, difference in behaviour between Chinese state-owned companies and private Chinese companies.
A deterrent effect of EUTR and FLEGT?

• In spite of (often) lower prices, exporters based in Africa tend to prefer less burdensome exports in Asia or other non-EU countries

• Still difficult to precise the content of SFM as an "additional component" to "full legality"
  • FM certified wood not getting "green lane" through due diligence requirements, legality certification seen as equivalent for a majority of markets
  • The "preference for FSC" on certain EU public markets attacked by Indonesia, which claims equal treatment for Indonesian timber deemed legal with their "FLEGT licences" (Indonesia is allowed to issue since 2016)
  • What added value of FM certification if FLEGT licenses are issued for African countries in the near future?
But a genuine added-value...

• Loopholes in legal frameworks are addressed by FM certification (e.g. Cameroon)

• FM Certification pushes towards **continuous improvement of practices**, while legality does not provide incentives to go beyond regulatory thresholds...

• ... Even though “continuous improvement” may create a contradiction between ecological sustainability and economic sustainability (e.g. the Intact Forest Landscape discussion in Central Africa)

• Certification "of good forest management" thus offers more guarantees than certificates of legality which would be satisfied with the simple application of regulations

• **But are these differences perceptible by consumers (or their prescribers)?**
Public policies to rescue private certification?

• If the demand (price premium) is not sufficient to increase certified tropical forest areas, incentives might be considered **upstream**, in terms of costs

• Reduction of forest taxes for certified concessions (FSC, or the new PAFC label if it is deemed credible by all parties) seems the easiest solution to implement...
  • ... provided that donor partners compensate (for a period to be determined) the public Treasury of producing countries for the loss of tax revenue

• A reduction in costs would provide an incentive even for companies (e.g. State-owned Chinese companies) whose markets do not demand (yet?) certified wood
Difficulties related to the lack of transparency

• Many companies do not pay the amount of theoretical royalties and taxes they should pay: many confidential bilateral agreements between authorities with tax powers and companies

• Importance of advancing the full consideration of the forest sector in the EITI process (Extractive Industries Transparency Initiative – “Publish what you pay!”)
Legal institutionalisation of certification?

• Gabon to make (FSC) certification mandatory by 2022: a further step in the use of private instruments for public regulation purposes
  ➢ Concentration of the industry and reduction of area occupied by concessions

• State-owned Chinese companies / private Chinese companies: likely divergent strategies

• A risky change for the FSC (and PAFC?): big pressure of companies expected on certifying bodies, credibility of the standard might be at stake

• As Congo Bzvl contemplates a similar policy, the EU strategy, which gives only a secondary place to private certification, will probably have to be reviewed
Thank you for your attention!

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