Globalization of the world forest products markets

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Globalization

Several definitions

“Globalization processes involve not merely the extension of activity across borders, but also – and more importantly – the functional integration of such internationally dispersed activities”

Dicken 1999
Why study globalization?

- Industry profitability
- Employment opportunities in the forest sector in different countries
- Land rents for forest owners (land use)
- Product prices for industrial customers and end users

Economic globalization

- Reduced cost of communication and transportation
- Tastes are increasingly homogenous
- Public policies liberizing international markets
  - Trade
  - Shifting movable factors of production
Investigating globalization

Heckscher-Ohlin trade model

- Total trade relative to total production
- Market integration
  - Prices are integrated
  - Prices are converging

EFI/WFSE Trade Flow Database

- FAO, exports and imports
- Annual observations, 1962-2002
- Products sorted according to SITC nomenclature
- Individual country observations
- Aggregated in regions
Industrial roundwood

Pulp
Empirical analysis

- Regional output variance: specialization
- Market integration
- Converging prices
  - Convergence in absolute price levels between pairs of markets
  - Reduced spatial variation of prices
  - Correlation between prices in different markets
Obstacles

Data

– Level of aggregation (product types and regions)
– Statistical testing

Preliminary results

• Wood-based panels and pulp prices are integrated
• Roundwood and newsprint are converging
• Sawnwood is indeterminable