

ECONOMIC VALUE OF IMPORTED WOOD BASED PRODUCTS IN TANZANIA

*Abdallah, J.M. and Masaka, K.

Department of Forest and Environmental Economics
Box 3011 Chuo Kikuu Morogoro, Tanzania
Tel: 0787255301 or 0655255301

*Corresponding author email: abdallah@suanet.ac.tz

ABSTRACT

The Government emphasizes a new direction for the country's economy. It commits her resources to inclusive economic growth through industrialization. This means that more investment on wood processing industries is required. Information on economic value of imported wood based products is important to inform development policies in Tanzania. Therefore, the overarching aim of this study was to provide insight into the values of wood based products import streams to Tanzania by focusing on the types of wood products imported, their values, and countries of origin; and to recommend investment opportunities to reduce the balance of trade. Methods used were literature review, and the collection of export and import statistics of between 2007 and 2018 from Tanzania Revenue Authority (TRA) Headquarters in Dar es Salaam. The Common External Tariff 2012 Version was used to filter codes of the sections and heads referring wood based products before formal request was made to the TRA Headquarters on the relevant codes. The data were analyzed mainly using Excel software. The results show that wood products which have been imported to Tanzania since 2007 exhibited a volatile trend. There was an increase in the imports of wood based products between year 2007 and 2013, while a high-pitched increase (by about 87%) was between 2013 and 2015, followed by a steady decrease between 2015 and 2017. Wood Based products (poles) treated with paint, stains, creosote or other preservatives were the main products that had the highest value (TZS 27.7 billion in 2014) compared to other products imported between 2007 and 2018. Some of the products imported include clothes' hangers, wood charcoal, and fuel wood, in logs, billets, twigs, faggots or similar forms. It is possible to save the foreign money spent to import some of these products by investing in industries in Tanzania to produce them locally.

Key words: Imports, Wood based products, Balance of trade, Tanzania

INTRODUCTION

The Tanzanian government is implementing various measures to strengthen fiscal management. Therefore, each sector is making efforts to deliver a substantial contribution to the new country's initiatives. The manufacturing sector, among others, is at the central focus of the new approaches suggested by the country. The present Government aims at stabilizing the economic capacity of the country through sustainable utilization of our readily available resources and enable industrial opportunities in country.

However, Tanzania's economic growth is relatively high, it has not yet accelerated job creation. Poverty remains substantial in Tanzania with around 12 million Tanzanians still under the poverty line. At the same time, about 800,000 young Tanzanians enter the job market every year (World Bank Group, 2014) where productive opportunities including wood industries are poorly exploited.

The Government emphasizes on a new direction for the economy. It is prioritizing the industrialization where most of the resources are required to be processed at various nodes along the value chain to ensure economic growth. This means that more industries are required to process and manufacture products of various forms and origins (World Bank Group, 2014). The industrial products are supposed to increase competitiveness of Tanzania in the domestic, regional (East Africa Community Common Markets and the Southern African Development Community (SADC)), and in the global markets (URT, 2010).

This paper aims at analyzing the contribution of wood based products towards the economy of Tanzania. Much attention in literatures on wood based products in Tanzania is mainly paid on export and domestic products and trade. However given the country's current state of affairs, information on economic value of imported wood based products is important in informing policies including those on development of relevant industries in Tanzania.

Wood product demand is driven largely by the construction, furniture and paper activities. Other sectors using wood are power transmission (using eucalyptus poles) and the transport sector consuming wood in the form of pallets and packaging materials such as boxes. Specifically, this paper provides insights into values of wood based products import streams to Tanzania by focusing on the types of the products imported, the values of the products, and countries of origin; and recommends investment opportunities to reduce the trade deficit on wood based products.

METHODOLOGY

The main methods used were literature review, and the collection of export and import statistics from Tanzania Revenue Authority (TRA) Headquarter in Dar es Salaam. Export and import data from year 2007 to 2018 on wood based products were also collected. The Common External Tariff 2012 Version was used to filter codes of sections and heads referring wood based products before formal request was made to the TRA Headquarters on the relevant codes. The data were analyzed mainly using Excel programme. To calculate the trade deficit (Balance of trade deficit), the total value of annual exports was determined from the total value of imports.

RESULTS AND DISCUSSION

Wood based products import value

Results (**Fig. 1**) show that, wood products which are imported to Tanzania have been exhibiting volatile trend from 2007 to date. There were increases in the imports of wood based products between year 2007 and 2013 which was followed by a high-pitched increase (by about 87%) between 2013 and 2015. This increase was mainly attributed to a substantial importation of transmission poles from South Africa (Indufor, 2011). Large scale imports of poles for electricity transmission were done by TANESCO since the domestic production could not supply the desired level. In 2015, the total import volume was about 200,000 m³. Moreover, wood products from South Africa were comparatively expensive. Between 2013 and 2015, the prices ranged from 600 USD to 800 USD per tonne (about 300 USD to 400 USD per pole) (Indufor, 2011).

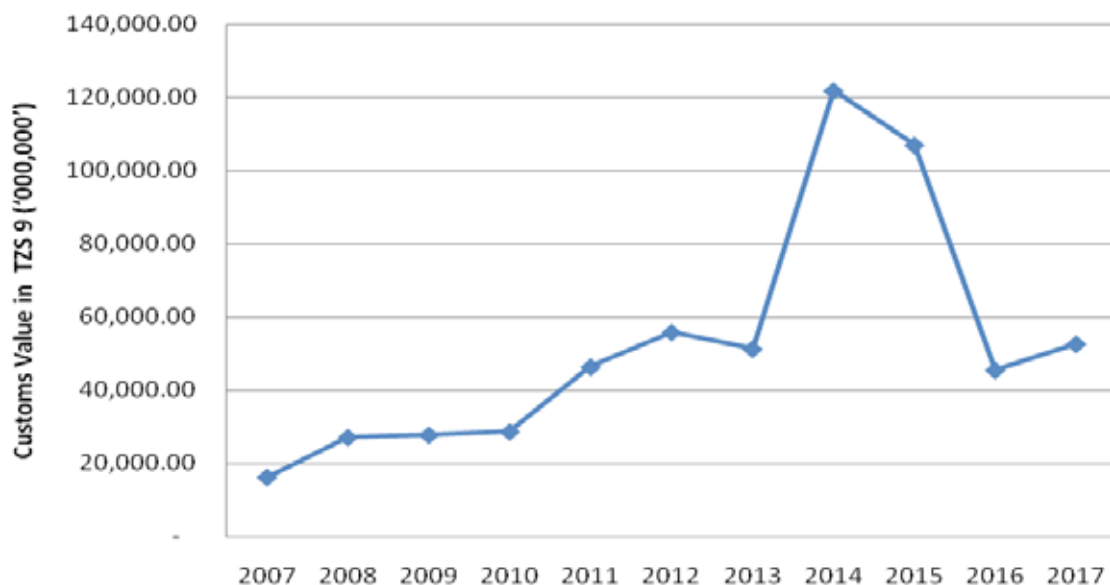


Figure 1: Trend of the import value of the wood based products to Tanzania

The projections by FDT (2017) show that, the demand for wood products is expected to grow sharply, more than double in round wood equivalent between 2013 (national consumption of 2.3 million m³ rwe) and 2035 (5.2 million m³ rwe), driven primarily by the construction sector and paper consumption. Therefore, a steady decrease between 2015 and 2017 does not imply reduced demand for wood based products in the country; rather it was the result of the rising average import prices from various suppliers. This implies that a significant amount of foreign money was required. The investment in domestic wood based production and processing is paramount, as the price limits for importing wood based products are mounting.

Comparison of imports and export

Generally, the trend of import values for the wood based products between 2011 and 2017 were higher than the export (**Fig. 2**).

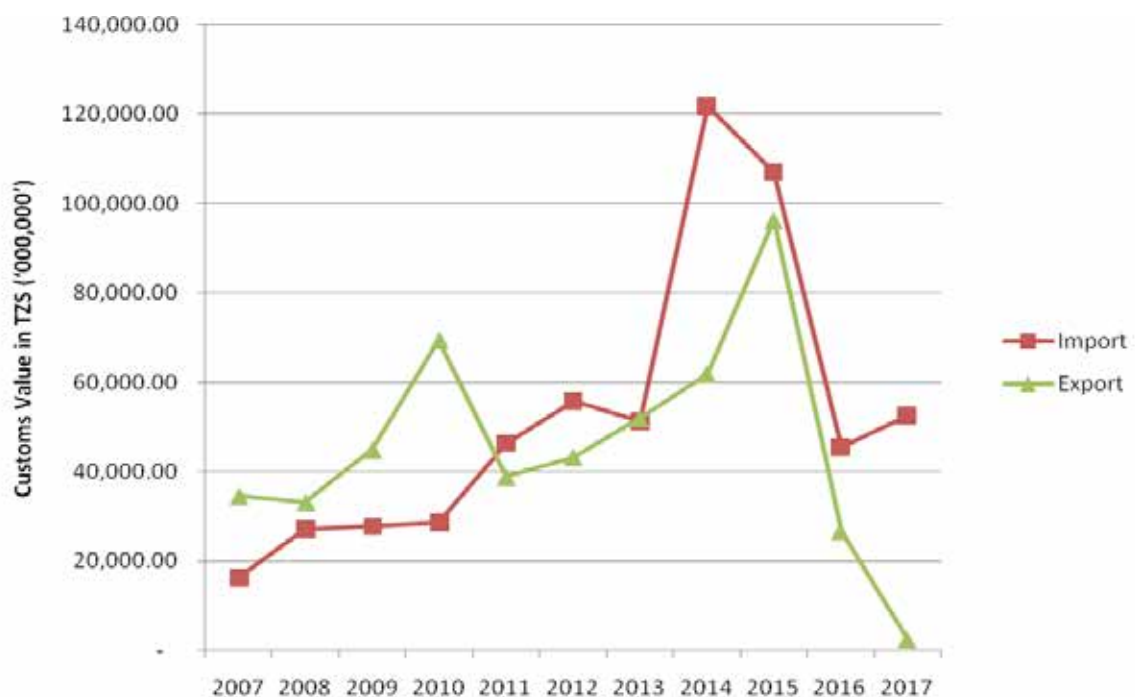


Figure 2: Trend of the Import and export values of the wood based products to Tanzania

The total value of imported wood based products was TZS 586.3 billion compared to TZS 503 billion of the exported products from 2007 to February 2018 respectively. The high values were mainly contributed by importation of poles, furniture, and paper consumption. Poles treated with paint, stains, creosote or other preservatives had the highest value (TZS 27.7 billion in 2014) compared to other products imported between 2007 and 2018. As also observed by FDT (2017), wood based furniture imports were around 20,000 tonnes annually. Tanzania was importing a range of wood furniture including chairs, windows, doors frames, shutters, and hangers.

In addition, paper was another wood based product which was being imported by the country in high volume and an increasing trend. With the exception of Kraft paper, which is produced locally, Tanzania importation has increased from 115,000 tonnes in 2011 to 136,000 tonnes in 2015.

Balance of Trade

Balance of trade deficit due to wood based products was increasing from year 2007 to 2017 (**Fig. 3**). The results show that the largest trade deficits in relation to wood based products were experienced in 2014 and 2017.

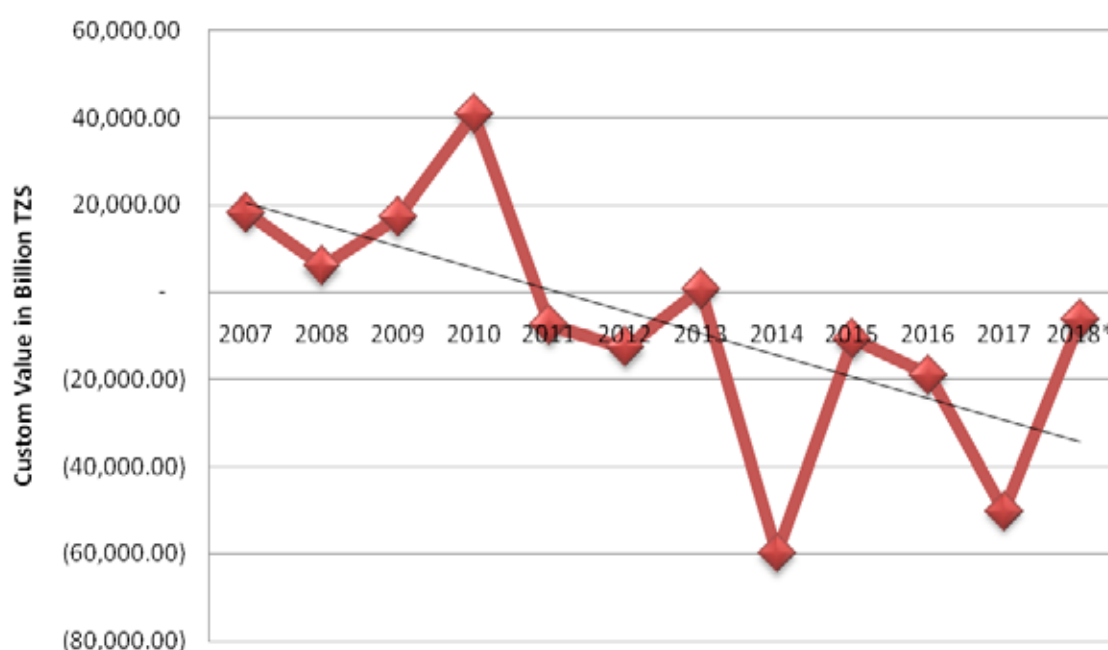


Figure 3: Trend of balance of trade for the wood based products

The lowest trade deficit for wood based products was observed in 2014 (**Fig. 3**). There is a correlation between wood based products' balance of trade deficit (**Fig. 3**) and that of all forest products of the country as shown in **Figure 4**. However, if all forest products were included, the balance of trade was positive (**Fig. 4**). This implies that the importation of wood based products had negative influence on the balance of trade in the forest sector. High economic growth in the country is 'one of the pool factors' for the demand of wood based products (e.g. as construction materials and furniture). If this trend of the balance of trade is not addressed, the deference between export and import will rise with the later having higher value. Consequently, the balance of trade will be negatively affected unless measures are taken to rescue the current situation.

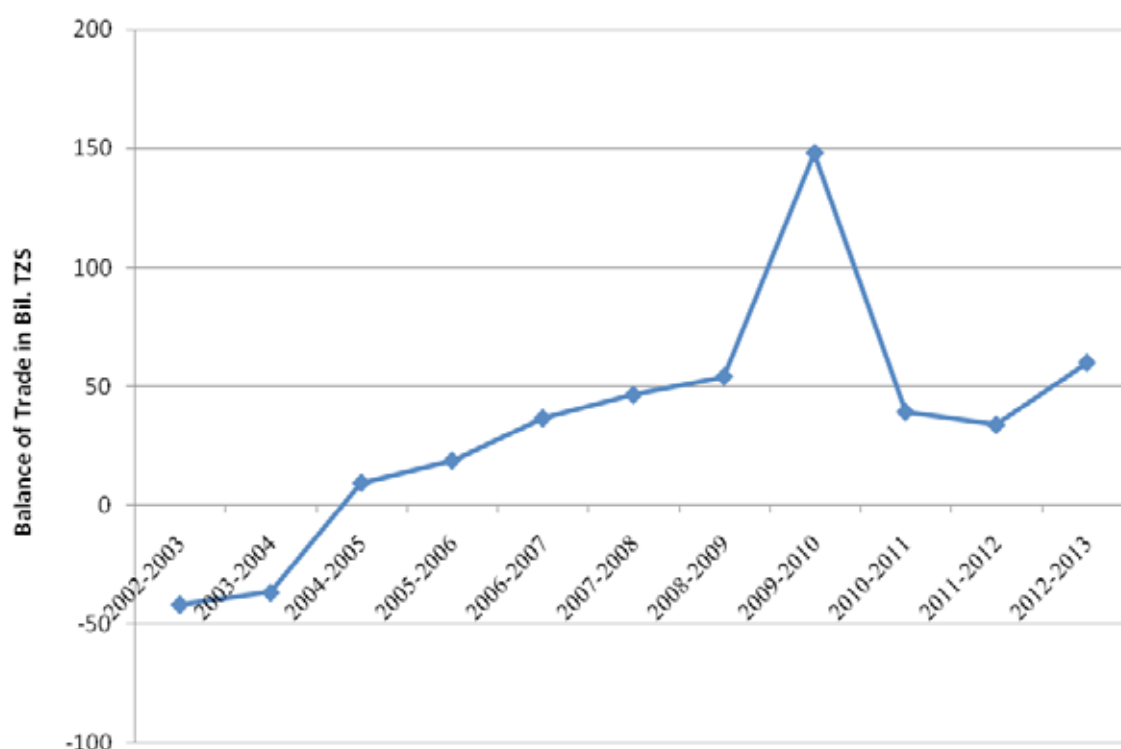


Figure 4: Trend of balance of trade for the forest products

Source: Abdallah (2014)

A trade deficit occurs when a country does not produce for her needs. A country with a balance of trade deficit also current has the account deficit. Account deficit means limited economic capabilities to ensure timely accomplishment of developmental goals for the benefit of the general public. In short term, the balance of trade deficit does not have significant negative impacts to the country's economy. Over time, trade deficit increases jobs outsource, in other words, it creates fewer jobs in the wood based industry in the country and increases job opportunities in the countries where the wood based products originate.

Products imported

The top most products that were imported to Tanzania are provided in **Table 1**. Some of the products were frequently and others were infrequently imported. Poles treated with paint, stains, creosote or other preservatives and of bamboo (plywood, veneered panels and similar laminated wood) were the main frequently imported products.

Table 1: Top most imported Wood Based Products (WBPs) from 2007 to February 2018

Description	Customs Value (TZS)	Year
Blackboard, laminboard and batter board: Plywood, veneered panels and similar.	1,409,598,935.35	2015
Coniferous: Hoopwood; split poles; piles, pickets and stakes of wood, pointed out	2,463,990,191.00	2011
Coniferous: Hoopwood; split poles; piles, pickets and stakes of wood	64,352,231,195.86	2012, 2017, 2013, 2016, 2014, 2015
Dark Red Meranti, Light Red Meranti and MerantiBakau	1,090,684,250.00	2012
Doors and their frames and thresholds	15,455,420,448.04	2008, 2009, 2011, 2016

Description	Customs Value (TZS)	Year
Non-coniferous: Hoopwood; split poles; piles, pickets and stakes of wood, pointed	27,719,609,269.78	2011, 2012, 2013, 2014 and 2015
WBPs of a density exceeding 0.8 g/cm ³ : Fibreboards of wood or other Ligneous matter	12,189,329,665.27	2013, 2014, 2015, 2016 and 2017
WBPs of a thickness exceeding 9mm: fibreboard of wood or other: Medium density fibreboard	1,066,544,033.00	2007 up to 2017
WBPs of bamboo: Plywood, veneered panels and similar laminated wood	16,551,818,920.35	2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015
Other WBPs (including strips and friezes for parquet flooring, not assembled) and Non conifer	1,209,919,711.64	2015
Other, coniferous	15,461,027,007.95	2014, 2017
Other WBPs, with at least one outer ply of non-coniferous wood: Plywood, veneered	13,754,423,428.90	2013, 2014, 2016 and 2017
Other WBPs: Plywood, veneered panels and similar laminated wood: Other plywood, consisting...	38,375,849,798.58	2009, 2011, 2012, 2013, 2014, 2015, 2016 and 2017
Other WBPs: Builders' joinery and carpentry of wood, including cellular wood panels	1,312,649,449.00	2007
Other WBPs: Fibreboard of wood or other ligneous materials, whether or not bonded	19,228,881,734.32	2007, 2008, 2009, 2010, 2011, 2012, 2014, 2015,
Other WBPs: Other particles of wood	12,250,560,925.52	2012, 2013, 2014, 2015, 2016 and 2017
Other WBPs: Particle board, oriented strand board (OSB) and similar board	55,557,171,933.84	2007 up to 2017
Other WBPs: Railway or tramway sleepers (crossies) of wood.	5,670,068,086.22	2008 and 2014
Other WBPs: Sheets for veneering (including those: of tropical wood specified in Subhea	1,296,878,078.00	2011
Other WBPs: Wood in the rough, whether or not stripped of bark or sapwood	38,370,610,518.89	2008 up to 2017
Particle board	4,971,924,845.83	2009, 2011, 2014, 2015 and 2017
Shuttering for concrete constructional work	5,580,028,888.32	2015
Poles treated with paint, stains, creosote or other preservatives	70,868,406,035.81	2008, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018

Products exported

The top most products that were exported outside Tanzania are provided in **Table 2**. The frequently exported products were coniferous (sheets for veneering including those obtained by slicing laminated wood) and wood sawn or chipped lengthwise, slice: of tropical wood specified in Subhea.

Table 2: Top most exported Wood Based Products (WBPs) from 2007 to 2017

Description of the product	Customer Value (TZS)	Year
Cases, boxes, crates, drums and similar packing; cable drums	3,216,002,875.00	2013
Coniferous: Sheets for veneering (including those obtained by slicing laminated wood	32,199,505,356.00	2007, 2008, 2009, 2012, 2013, 2014, 2015, 2016 and 2017
Densified wood, in blocks, plates, strips or profile shapes.	1,555,010,714.00	2007
Doors and their frames and thresholds	1,950,369,821.00	2011
Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms	4,776,661,425.00	2009 and 2010
Non-coniferous: Hoopwood; split poles; piles, pickets and stakes of wood, pointed	3,914,231,211.00	2008 and 2012
Other WBPs (including strips and friezes for parquet flooring, not assembled) - Non conifer	25,096,712,108.00	2010
Other, coniferous	1,713,524,175.00	2009
Other WBPs: Other particles of wood	7,355,805,338.00	2007, 2008 and 2011
Other WBPs: Wood in the rough, whether or not straight: Other WBPs of tropical wood specified	22,407,452,020.00	2007, 2010, 2011, 2012, 2014, 2015 and 2016
Other WBPs: Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery,	1,411,225,403.00	2013
Other WBPs: Wood sawn or chipped lengthwise, slice: Of tropical wood specified in Subhea	216,328,879,566.00	2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016
Other WBPs: Wood sawn or chipped lengthwise, sliced or peeled	74,603,716,215.00	2010, 2011, 2012, 2013, 2014, 2015, 2016
Particle board	3,992,808,000.00	2010
Sapeli: Wood sawn or chipped lengthwise of tropical wood specified in subheading.	16,843,899,213.00	2014, 2015 and 2016
Statuettes and other ornaments, of wood	5,288,382,612.00	2014 and 2016
Poles treated with paint, stains, creosote or other preservatives	2,706,757,814.00	2007 and 2015
Wood wool; wood floor.	40,813,846,753.00	2007, 2008, 2009, 2010, 2011, 2012 and 2013

In addition, although the values differ, there were similarities on the types of the imported and exported products (**Fig. 5**) including the species used to make the products.

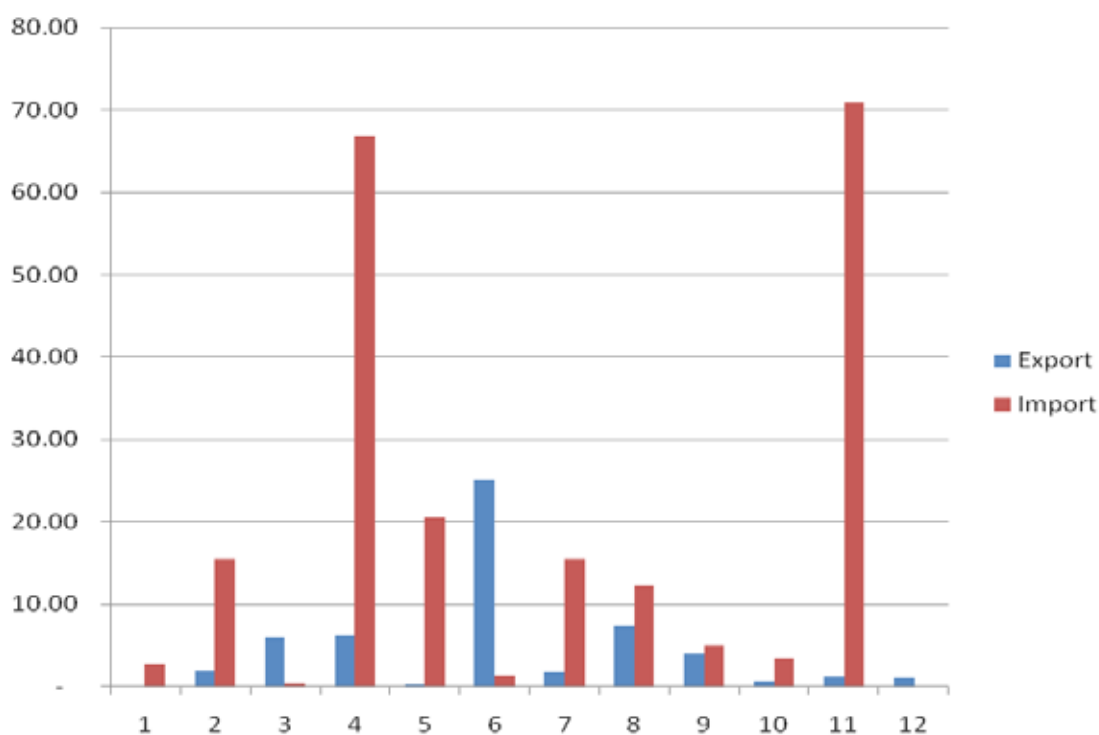


Figure 5: Comparison of the wood based products imported and exported 2007 to 2017

Key:

1. Clothes hangers
2. Doors and their frames and thresholds
3. Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms
4. Non-coniferous: Hoopwood; split poles; piles, pickets and stakes of wood, pointed
5. WBPs of bamboo: Plywood, veneered panels and similar laminated wood
6. Other WBPs (including strips and friezes for parquet flooring, not assembled). Non conifer
7. Other coniferous
8. Other WBPs: Other particles of wood
9. Particle board
10. Tableware and kitchenware of wood
11. Poles, treated with paint, stains, creosote or other preservatives
12. Wood charcoal (including shell or nut charcoal), whether or not agglomerated

With the exception of coniferous species (such as *Spruces* and *Quercus* spp) which is found in temperate countries, most imported wood products (e.g. transmission poles) were reported to be produced from species that are also found in Tanzania. If some products are exported and imported it means that there is experience in the country of manufacturing the products for export to reduce deficit of the balance of trade and create jobs in Tanzania.

Countries of destinations for the forest products were the United Arab, South Africa, Kenya, the United Kingdom, China, and Germany in that serial order (**Fig. 6**). The single largest export market for sawn timber was Kenya (see also Indufor, 2011). In Tanzania, wood based products originated from a variety of countries; main suppliers being China, South Africa, Kenya, India, and Turkey (see also FDT, 2017).

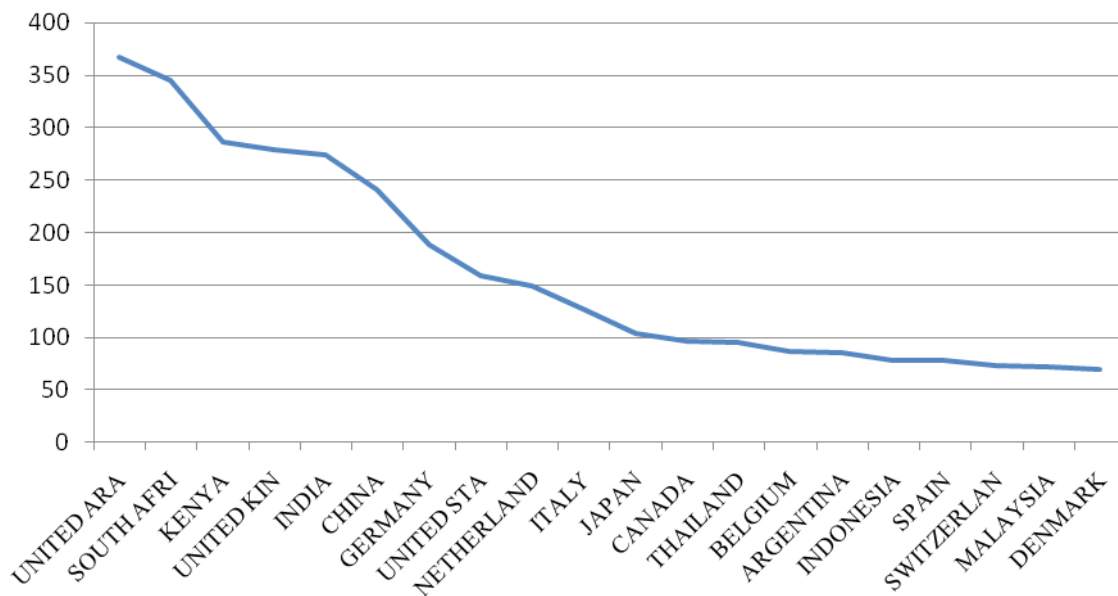


Figure 6: Top twenty countries that Tanzania exports forest products

Source: Abdallah (2014)

CONCLUSION AND RECOMMENDATIONS

There were more wood based products imported than those exported. The balance of trade deficit of wood based products has a negative decreasing trend while that of forest products has shown a positive increasing trend. This implies that the importation of wood based products has negative influence on the balance of trade in the forest sector. There were similarities in terms of the types of products imported and those exported. The countries of destinations of the exported products were to some extent similar to those from which Tanzania imported her wood based products. This means that Tanzania has experience and the raw materials of manufacturing imported wood based products.

The paper recommends the following:

- There is a need of increasing the export of wood based products so as to improve the balance of trade. We need to export more and import less in order to stabilize our economy. More efforts are still needed in terms of the required infrastructure and logistics to support exportation of wood products from Tanzania.
- There is a need for a control on the importation of wood based products which are produced in the country (e.g. cloth hanger, tables and kitchenware made of wood, bamboo products).
- There is a need for limiting importation of low durable wood products. This can be done through tariffs, non-tariff instruments and/or avoiding free trade agreements (that waive tariffs) on wood based products.
- There is a need of increasing the production of quality wood based products by increasing industrial investment for exportation purposes.

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