



An exploratory assessment of the attitudes of Chinese wood products manufacturers towards forest certification

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ABSTRACT

Interviews with Chinese forest products manufacturers were conducted to explore their attitudes towards forest certification and related issues. Participants comprised owners, CEOs, and managers in 20 Chinese wood products companies, including producers of furniture, doors, flooring, and various engineered wood products. The interviews were used to analyze the extent to which participants were considering adopting forest certification and what might motivate such a decision. This was done by assessing their awareness and knowledge of certification. The results indicated that participants' understanding of forest certification was extremely low, despite major efforts in China to raise awareness of the issue. Potential economic benefits were the most frequently cited reason to adopt certification, including gaining or maintaining competitive advantage over their industry counterparts, improved access to both domestic and export markets, better customer recognition, and enhanced corporate responsibility practices. Some interviewees (3 out of 20) considered that certification would become a mandatory requirement or industry standard, and that this would be the only viable motivation for certification given that the financial benefits were potentially limited. According to the participants, the main differences between certified and uncertified wood products operations related to improved market access and public image. Interviewees felt that cooperation between and support from governments and the forest industry would enable the enhanced awareness of certification amongst manufacturers and the general public. This, in turn, could serve to stimulate demand for certified products.

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1. Introduction

China's forests and forest sector have received national and international attention over the last decade. As the second largest importer of forest products worldwide (Song et al., 2007; Sun et al., 2004a), the world's second largest producer of wood and paper products, and a major exporter of a wide range of forest-based products (Campbell et al., 2008), China is emerging as an important player on the international forestry stage. Domestically, there have been significant changes in the ongoing dispute over forest tenure and the transfer of collectively-owned forests to individual farmers. Internationally, the global economic crisis has swept China and has had substantial impacts on its forest sector, particularly for those forest products companies targeting foreign markets. The increasing awareness of forest degradation, climate change, biodiversity conservation, and carbon sequestration, together with the

general trend of sustainably managed forests, have brought China and China's forest sector to the centre of global environmental efforts. As a result, increasing attention has been devoted to the implications of sustainable forest management (SFM) and forest certification for China's forest industry and the possibilities for the successful implementation of both.

Forest certification was initially advanced by environmental groups as a response to the consequences of deforestation and forest degradation (Leslie, 2004; Rametsteiner and Simula, 2003). It was quickly accepted as a means to pursue sustainable forest management by demonstrating that a forest management operation is sustainable and responsible (Durst et al., 2006). As of March 2011, 232 million ha of forests had been certified by standards endorsed by the Programme for the Endorsement of Forest Certification (PEFC), and 7957 PEFC Chain-of-Custody (CoC) certificate holders had been approved (PEFC, 2010a). Another 141 million ha of forests in 81 countries had been certified to Forest Stewardship Council (FSC) standards, with 19 935 CoC certificate holders (FSC, 2010). Despite these worldwide levels, SFM and forest certification are relatively novel in China. By March 2011, only 33 forest management units in China, covering less than 1.8 million ha of

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forest area, had been certified to FSC standards, accounting for almost half of the total certified forest areas in Asia (FSC, 2010). A total of 111 wood processing enterprises had obtained PEFC CoC certificates, whereas 1486 had obtained FSC CoC certificates (FSC, 2010; PEFC, 2010b).

Although the absolute numbers of certificates remain small, progress on forest certification in China has been substantial. Since 1995, China has taken a number of steps towards the promotion of SFM and forest certification. In addition to the two dominant forest certification systems present in China (Hui et al., 2008), a national forest certification scheme initiated by the State Forestry Administration and drafted by the Chinese Academy of Forestry was released in 2007 (China Forest Certification Council, 2009a). In addition, 13 pilot sites were selected in 2006 and 2007 for testing the feasibility of implementing forest certification in China. The pilot sites – in Jilin, Heilongjiang, Zhejiang, Fujian, Guangdong, Sichuan, Neimenggu, Guangxi, Yunnan, Hainan, Anhui, Hebei, and Muleng Heilongjiang – are viewed as being representative of current forest management practices (China Forest Certification Council, 2009b; Hui et al., 2008). The national forest certification standard will be implemented nation-wide once these pilots are completed, and it is also currently undergoing review for PEFC endorsement.

Despite the numerous efforts being made to promote forest certification in China, many impediments still exist, and these are hindering its uptake. A major issue is the uncertainty around costs and benefits associated with certification, a problem that has existed since the implementation of the forest certification concept in both developed and developing economies (Rametsteiner and Simula, 2003). The willingness of consumers to pay the premiums associated with certified products is unclear and, if any such willingness exists, it is difficult to gauge what the actual demand in the marketplace will be (Aguilar and Vlosky, 2007; Anderson et al., 2005; Forsyth et al., 1999; Kozak et al., 2004; Owari and Sawanobori, 2007; Sedjo and Swallow, 2002). As long as this uncertainty continues, forest companies are unlikely to implement certification quickly as they are unable to see whether economic returns outweigh the additional costs (Stone, 2006). Moreover, a fairly limited awareness among the public and lack of participation from various stakeholder groups are common challenges which further impede the adoption of forest certification in China (Stone, 2006; Wang et al., 2005a; Zheng and Jiang, 2002). Comprehensive education campaigns and publicity activities in the forms of advertisement and eco-labelling, covering a wide range of interested groups, are needed in order to enhance general awareness (Zhu et al., 2007).

Concurrently, economic growth has been the pivotal focus of various levels of government in China for decades, oftentimes being achieved at the expense of ecological sustainability, and resulting in massive forest losses (Xu et al., 2006; Zhang et al., 2000). Taking advantage of the ready supply of low-cost labour (Zuo et al., 2004), China's wood processing industry has experienced exponential growth which has, in turn, resulted in rapidly increasing demand for timber products (Sun et al., 2004a). The limited supply of domestic timber cannot meet this demand and the discrepancy between fibre supply and demand has led to the procurement of fibre from other countries (Sun et al., 2004b). Over 70% of the timber is imported from countries in the Asia Pacific region, many of which have had to grapple with issues such as unsustainable forest management, dubious operational practices, high levels of illegal logging, and negative impacts on community livelihoods (Katsigris et al., 2004). As a result, Chinese forest companies are increasingly required to source wood from legally and sustainably managed forests that have met certification standards. However, many lack the human resources and expertise (Liu et al., 2005) to

fully comprehend the complexities of forest certification. This is further exacerbated by confusion over the differences between certification schemes used in different parts of the world, a general lack of mutual recognition between some of the major certification schemes, and the subsequent differences in rules and procedures for obtaining a certificate (Anderson and Hansen, 2004a; Atyi and Simula, 2002). However, the recent proliferation of public procurement policies throughout the world has supported mutual recognition efforts of the main forest certification schemes. Public procurement policies for timber and wood products are increasingly becoming one of the key drivers of forest certification development efforts and their scale of purchasing power is such that they could be used to urge its large suppliers to support certain sustainability initiatives (Preuss, 2009). Thus far, a total of twelve countries have adopted operational public timber procurement policies, particularly in Europe where there is a greater concern regarding the sustainability protocols of Chinese export-oriented manufacturers (Simula et al., 2009). Concurrently, China developed its own government procurement policies for timber products in 2006, which may also impact domestic suppliers.

Given these complexities and uncertainties, it is extremely difficult to predict the direction that certification will take in China and to what extent it will affect its forest industry. As such, a range of questions have arisen, including whether there are adequate incentives for forest companies to increase investments or to bear the extra costs to voluntarily obtain forest certification. It is unclear whether certification will become a requirement for forest companies to enter into specific foreign markets or more environmentally-sensitive markets, such as the European and North American markets. It is unknown whether domestic consumers will start demanding certified wood products or whether the demand will be sufficient to sustain forest companies that concentrate on the supply of certified products to the domestic market. The extent to which customers will be willing to pay for the additional costs incurred with certified wood products is also unknown. As a result of these uncertainties, certification has yet to be widely adopted in China, despite steady progress.

In the global context, numerous studies have examined the motivations for and benefits of forest certification from the manufacturers' perspectives (Jayasinghe et al., 2007; Ratnasingam et al., 2008; Stevens et al., 1998; Vlosky and Ozanne, 1998), as well as consumers' behaviour towards and preferences for certified products (Aguilar and Vlosky, 2007; Anderson and Hansen, 2004b; Bigsby and Ozanne, 2002; Forsyth et al., 1999; Kozak et al., 2004; Mohamed and Ibrahim, 2007; Ozanne and Vlosky, 1997, 2003). Many other aspects of forest certification have also been examined, including the efficacy of forest certification (Ebeling and Yasué, 2009; Federation of Nordic Forest Owners' Organisations, 2005; Tikina and Innes, 2008) and the costs and benefits of forest certification (Chen et al., 2010; Cabbage et al., 2003, 2008; Simula et al., 2004). However, the majority of these studies were situated within North America and Europe. Very little research has been done on the attitudes of Chinese wood product manufacturers towards forest certification, other than a mail survey of wood products manufacturers on their motivations to implement certification in Fujian province of China (Huang et al., 2009). In this study, Huang et al. (2009) examined four factors considered to potentially influence forest products manufacturers in Fujian province of China to adopt forest certification, including the companies' general profiles, their recognition of forest certification, their understanding of forest certification, as well as the reliance of their business operations on certification; the results revealed that only their awareness of forest certification had significant impacts on their adoption. They further proposed that such recognition should be coupled with strong government support in order to increase uptake of certification.

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