

## Corporate Social Responsibility and Illegal Logging: the Italian Experience

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Padua, 28-30 April 2005

## Paper organization

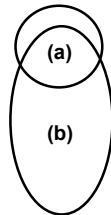
- A. Introduction: the problem
- B. Instruments and actors
- C. Corporate Social Responsibility: the Italian experience
- D. Some final considerations

## A. Illegalities in the forestry sector

**Deforestation and illegality =**  
 2 interconnected but different problems:

(a) The un-sustainable management of forests (→ deforestation, forest degradation)

(b) Illegal practices along the wood chain (from forest management to retail)

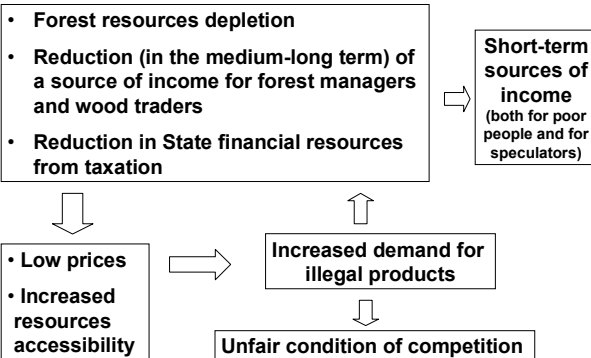


## Types of illegality

- ✓ contravention of local, national, international regulations
- ✓ violation of forest workers' human rights
- ✓ environmental damages
- ✓ violation of the first nation rights
- ✓ lack of individual protection for workers' health and safety
- ✓ use of grey markets with evasion of taxes and corruption
- ✓ ...

Illegal activities are the cause of many direct and indirect environmental, economic and social problems

## Direct effects



## Indirect effects

- social stability of local communities
- capitals for illegal investments
- corruptive culture in state-citizens relationships
- ...

<http://www.transparency.org>

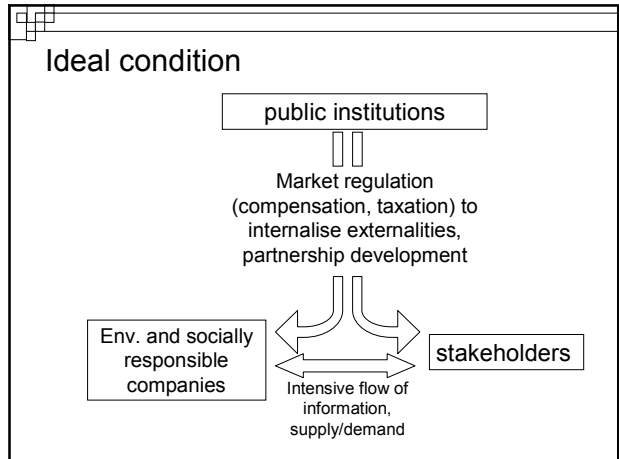
	2002
Total sample	835
Public works/construction	46%
Arms and defence	38%
Oil and gas	21%
Banking and finance	15%
Real estate/property	11%
Pharmaceuticals/medical care	10%
Power generation/transmission	10%
Telecoms	9%
IT	6%
<b>Forestry</b>	<b>5%</b>
Mining	5%
Transportation/storage	5%
Heavy manufacturing	4%
Agriculture	3%
Fishery	3%
Civilian aerospace	2%
Light manufacturing	1%



### The company's stakeholder categories

(from Lesourd & Schilizzi, 2001)

	Internal	External
Direct	Manager, employees	investors, lenders, suppliers, customers, tax agency, local community
Indirect	Consultants, sub-contractors	NGOs, Env. Protection Agencies, media, professional organisations, general public



### C. CSR: the Italian experience

Do the Italian actors have any involvement in deforestation process and trade of illegal logging?

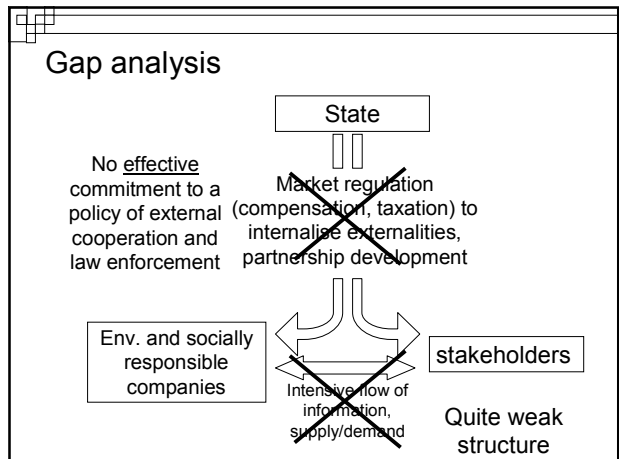
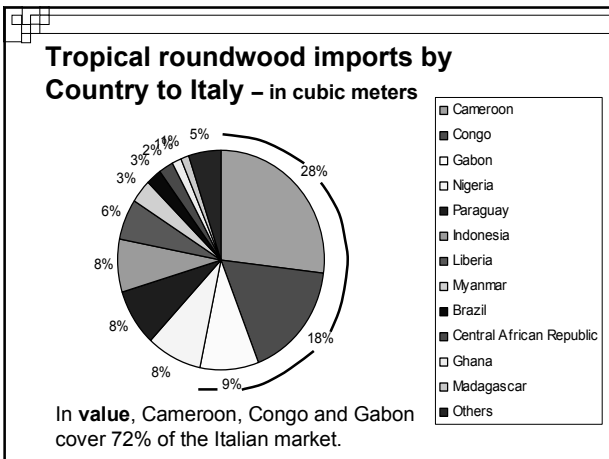
Italy: 6th world importer of wood products  
 (→ 1st world exporter of furniture)  
 2nd European importer  
 1st importer from the Balkan area  
 2nd European importer of tropical timber

Italy is the 1st export market for Cameroon, Serbia, Bosnia, Albania, ...

### Is there some similarity between deforestation and exportation?

Deforestation	Top World Exporters	Top Exporters to Italy
1. Brazil	1. Malaysia	1. Brazil
2. Togo	2. Indonesia	2. Cameroon
3. Cote D'Ivoire	3. Brazil	3. Indonesia
4. Nigeria	4. Hong Kong	4. Cote D'Ivoire
5. Benin	5. Mexico	5. Congo
6. Liberia	6. Thailand	6. Nigeria
7. Ghana	7. Gabon	7. Gabon
8. Guatemala	8. Papua New Guinea	8. Paraguay
9. Sri Lanka	9. Singapore	9. Ghana
10. Zimbabwe	10. Myanmar	10. Malaysia
11. Myanmar	11. Cameroon	11. Liberia
12. Philippines	12. Cote D'Ivoire	12. Thailand

Source: EIU/WFSE Forest Products Trade Flow Database based on United Nations COMTRADE data 2005



## Tropical timber market in Italy (ITTO research): preliminary results (1/2)

### Difficulties in raw wood materials procurements are expected in the next years:

- Imports from Africa will decrease: **poor timber quality, limited quantities of certain species** (→ over-exploitation, unsustainable harvest in the past), **unreliable supply** (→ social conflicts, political instability, corruption)
- Imports from Asia will decrease: **limited quantities of certain species available on the market** (→ over-exploitation in the past; protection policies implement by Governments; competition of China as importer)

## Tropical timber market in Italy (ITTO research): preliminary results (2/2)

Some instruments are expected to become important in promoting the wood market in Italy:

- Certification
- Information campaigns to improve the image of wood processing industries and traders among the public
- Protection of the "Made in Italy" (Italian design)
- Research and development (substitution, diversification, new products)
- Pressure on producer countries' in order to improve a correct use of local forest resources

## Characteristics of Italian wood traders and wood-working enterprises

- Mainly small-medium size enterprises (out of 87,000 companies, 98.2% with less than 20 employees)
- Organization based on highly specialized districts (strong internal links; quick reaction to external stimulus)
- Competitive advantages based on design and quality, not on green marketing instruments

⇒ Problem of accountability

How companies take into consideration accountability to external stakeholders?

## Ethical behaviour of a company based on

	1	2	3
<i>Rationale</i>	<b>Opportunistic Philanthropy</b>	<b>Strategic philanthropy</b>	<b>Social investment</b>
<i>Managemnt</i>	<i>Ad hoc</i> <b>Direct Stakeholders</b>	Systematic ethical approach <b>Indirect Stakeholders</b>	Professional ethical approach <b>Indirect Stakeholders</b>
<i>Scheme</i>	Passive, inconsistent, based on <i>una-tantum</i> actions	Target intervention, work on single objectives	Comprehensive holistic approach
<i>Example</i>	Vasto Legnami: official commitment to sustainable use of tropical forest (no external audit)	Bioforest (30 companies network): since '98, investments: 580.000 €	COOP Italia

## COOP-Italia Social investment



178 Cooperatives  
4.9 M members  
1265 shops  
47,300 employees  
Sales: > 10,000 MEURO

- First company with SA8000 certification in Italy
- Fresh products from organic or integrated agriculture; initiatives to reduce packaging
- Large support of the Fair and equitable trade (30 projects with the involvement of 500.000 persons)

## COOP - Italia Social investment



In April 2002 Coop starts selling the first "tissue" products certified in Italy (paper handkerchief).  
In October and November 2002 two new products

Now:

- > 4 paper companies certified
- > 12 different types of paper products (tissue)
- > certification of garden furniture under development

⇒ No price premium

*The only statistics you can trust  
are those you falsified yourself  
(W. Churchill)*

## How many?

	1	2	3
<i>Rationale</i>	<b>Opportunistic philanthropy</b>	<b>Strategic philanthropy</b>	<b>Social investment</b>
<i>No. companies</i>	<200	<50	< 10

...with around 87,000 companies working in the sector

## D. Some final considerations

- Without a strong role of civil society (NGOs, consumers), CSR is only a rather limited instrument to stop illegality
- Information and networking are the most powerful instruments to improve civil society awareness
  - pressure on the State institutions
  - increased accountability by companies
- De-localization process: new problems on monitoring environmental effects of industrial development

- A prevailing horizontal trade (South to South opposite to North to North)

Market separation should not be an justification to forget the problems related to the state of forest resources and people in the LDCs

