

# Economic Crisis and the Global Forest Sector

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## **Abstract**

The paper discusses the nature and development of the current economic crisis and some of the possible effects and impacts on the forest sector. We have experienced a tremendous economic growth during the last 20 years. This growth was driven mainly by increased *credits, leverage* and *deregulation*. A whole chain of factors and developments took place during this period of some 20 years. The financial/economic crisis is a result of an *entire string of interacting factors*. My argument is that the crisis is an *overall system failure*. How can it happen in the era of ICT and a knowledge-based economy? *Many players of the system failed to take action*. A system failure cannot be repaired by simple measures such as *economic stimulus programs* to banks and the automobile industry. There is a high risk that the enormous amounts channeled to one-sided *stimulus programs* will generate *new crises* further down the road. In spite of today's "green shoots", "glimmers of hope" and "early signs of stability" in the economy I think there is a *long way* to go until *stabilization of the economy* is reached. The recovery will be *anemic* and *fragile* and will take time and we may very well have a *second wave crisis* before the recovery.

The crisis impacts the forest sector through decreased demand and prices and changed exchange rates with *restructuring* as a result. The forest sector has *two crises in one*. Before the economic crisis there was *declining demand* on certain forest products, *increased competition* by ICT, *overcapacity, low profitability, wood supply problems*, and competition on *raw material with the energy sector*. The *ability* of the sector to return to *strong growth* when the *recovery* comes is *doubtful*. The problems with the *first crisis* are still there. Thus, *more change must happen* (restructuring). I think there is a consensus in the sector that the conventional forest industry products are *no longer sufficient* from an economic point of view. *Something more is needed*. But *nobody has a clear idea* of what this "more" encompasses. The industry and governments have to take a bold step in creating huge programs investigating what *new exciting value added commercial products* can be produced from wood within a *restructured forest industry*.