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THE CHALLENGES FINNISH TIMBER FIRMS MIGHT ENCOUNTER WHEN ENTERING THE NIGERIAN MARKET

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<p>Abstract</p> <p>The aim of this study was to analyze the challenges Finnish timber firms might encounter when entering the Nigerian market. The aim was to recommend strategies for a successful market entry into the Nigerian timber market. The main framework of the study was to research the major challenges facing the Nigerian timber industry and the possibility of Finnish timber firms gaining a presence in the market.</p> <p>The study began by analyzing the different market entry strategies and then proceeded to discuss the practicalities of the Nigerian timber market. The challenges Nigerian timber importers currently face when sourcing timber products from other countries were also discussed. The study made use of both a qualitative approach in the form of interviews with the players in the industry and an analysis of quantitative research.</p> <p>The findings in the thesis show that corruption, enforcement of regulations and standards, import duties, illegal logging, inflation, exchange rate, and currency devaluation are the major challenges Finnish timber firms might encounter when entering the Nigerian market. However, to hedge these risks, the Finnish timber firms could develop contingency plans to adapt to different political scenarios, build relationships with key political stakeholders, diversify revenue streams, monitor macroeconomic indicators, implement security protocols, build a strong relationship with local stakeholders, leverage support mechanisms such as government support and diplomatic channels, and conduct thorough risk assessments. By proactively tackling these challenges, Finnish timber firms can increase their opportunities of success and create a long-term presence in the Nigerian timber industry.</p>	
<p>Keywords Challenges, Importation, Timber, Nigeria, Finnish firms, Market, Regulations, Market Entry, Risk assessment, Government Policies, Analysis.</p>	

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1 INTRODUCTION

According to Investment Monitor (2022) Global demand for timber will surge fourfold by 2050 because of the drive to net zero. The timber industry is witnessing a dynamic shift, with established players seeking new frontiers for expansion and emerging markets offering promising opportunities. This thesis discusses the specific challenges Finnish timber firms might encounter when entering the Nigerian market, a rapidly growing economy with a significant demand for wood products (Internet Geography 2023).

According to the International Trade Administration (2023) The Nigerian market presents a unique and potentially lucrative opportunity for Finnish timber firms. With a population exceeding 200 million and a steadily growing construction sector, the demand for high-quality wood products is steadily increasing. However, navigating the complexities of the Nigerian market can be challenging for foreign companies unfamiliar with its specific regulations, cultural nuances, and business practices.

The thesis aims to provide valuable insights into the potential challenges Finnish timber firms might encounter when entering the Nigerian market. Identifying and analyzing these challenges will equip these firms with the knowledge and strategies necessary to overcome them and achieve a successful market entry.

This research will be beneficial for a variety of stakeholders including the Finnish timber firms, by understanding the challenges they might encounter, these firms can develop effective strategies to mitigate risks and increase their chances of success in the Nigerian market. Nigerian businesses and consumers will also benefit from the influx of high-quality timber products from Finland, which can contribute to the development of the Nigerian construction sector and provide consumers with access to a wider range of options. The Policymakers and regulators in both countries can also benefit from the research because it can provide informed development of policies and regulations that facilitate foreign investment and promote fair competition in the Nigerian timber market.

To gather the necessary data for this research, qualitative and quantitative data collection techniques will be used. This will involve literature reviews on market entry that will discuss various market entry strategies. Expert interviews will also be conducted, interviews will be conducted with key stakeholders such as the Finnish timber firms, Nigerian Timber industry operators, and some government officials.

The study will also utilize relevant data on the Nigerian economy, specifically identifying potential opportunities and challenges. It will provide a thorough understanding of the challenges Finnish timber firms might face in the Nigerian market. The research will also contribute to the general of knowledge of international business and market entry strategies, while also offering practical insights for Finnish timber firms seeking to expand their operations into a dynamic and promising market such as Nigeria.

2 OVERVIEW OF THE FINNISH TIMBER INDUSTRY

It would be beneficial to highlight some important facts about the Finnish timber industry since this research work is prepared to assist the Finnish timber companies in their bid to enter the Nigerian market.

Finland is a popular country in the forestry industry. In Finland, forest covers over 70% of the area, with 60% owned privately. Approximately 20.3% of hectares are suitable for wood production. In Finland, annual forest growth exceeds 110 million cubic meters, while annual logging volume is between 60 and 75 million cubic meters. This demonstrates that the timber stock is expanding year after year, bringing the total timber stock in Finnish forests to approximately 2.3 billion cubic meters. Finland has Europe's fifth-largest timber resources, after Russia, France, Sweden, and Germany. (Metsähallitus s.a.)

At the end of the nineteenth century, Finland began to convert forest resources into sawn timber and paper commodities. Beyond the traditional manufacture of wood products and paper, the versatile use of wood has grown greatly in modern times. Today, wood is an important ingredient in the creation of textiles and clothes, medications, chemicals, functional foods, animal feeding, plastics, beauty products, innovative packaging materials, and sustainable biofuels. (Ministry of Agriculture and Forestry of Finland s.a.)

Finland forests symbolize a renewable natural resource that provides both economic prosperity and mental well-being. The forest characterizes Finland's natural environment, possessing a great biodiversity. Over three million hectares of Finnish forests are under preservation or limited use, accounting for 13% of the total forest area, and this represents the highest share in Europe. A good balance of misuse and ecological preservation will help to ensure that woods remain healthy and diverse for future generations. (Metsähallitus s.a.)

According to the Ministry of Agriculture and Forestry of Finland (s.a.) the forest industry is crucial to the country's economic prosperity. Exporting rates to forestry manufacturing revenue range from 97% to 48%, depending on the type of item sold. In 2022, the timber industry supplied EUR 15 billion, with paper boards representing 28% of the total. The material and wood made up around 20% of exports, sawn timber for about 18%, and plywood for about 5%. Finnish timber exports declined by 8% in 2022, totaling 14.95 billion euros. The export value was divided as follows: papers 26%, cardboard 24%, wood 25%, sawn timber 13%, and plywood 4%. Timber product exports fell 12% to 4.21 billion euros over the previous year. Sawn timber exports in this kind of wood fell by 16%, with a 2% decline in volume. Furthermore, timber imports to Finland decreased by 56% to 5.52 million meter³ in comparison to the prior year. In addition, by the end of 2022, the majority of imported wood came from Sweden, Estonia, and Latvia, which represented 36%, 32%, and 22% respectively. (Market Data Hub by Timber Exchange 2023.)

EXPORT VALUE

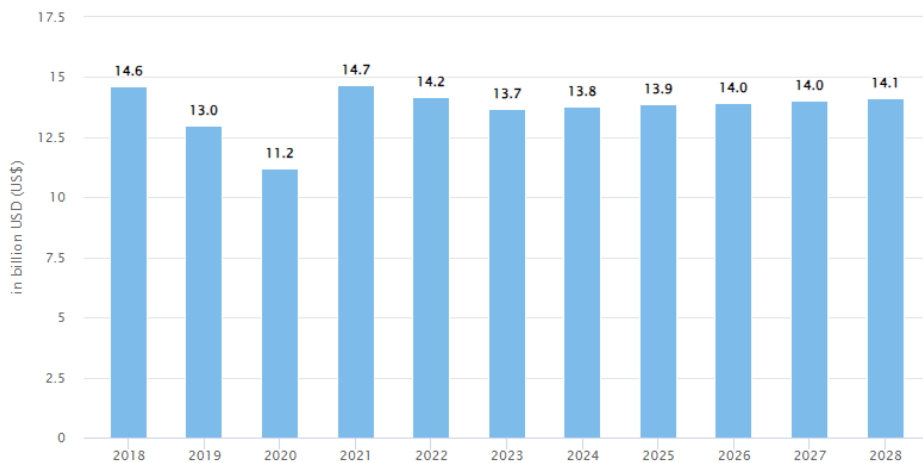


Figure 1: Finland Forestry Trade Export value 2023 (Statista Market Insights)

According to Statista 2023, the bar chart represents the value of exports in billions of dollars between the years 2018 and 2028. Forestry exports are expected to reach US\$13.8 billion in 2024, growing at a pace of 0.59% annually. The export value of the forestry industry is projected to be \$14.1bn by 2028.

3 LITERATURE ON MARKET ENTRY

Implementing strategies for entering new markets is critical to the success of the internationalization process, particularly for markets outside one's region (Olli 2017). The Dictionary Describes a market as a group of people wanting to buy something. Merriam-Webster (2024) identifies it as the collection of individuals for commercial transactions through commercial buying and selling. According to the Economic Times (2024) it is the total demand and supply in the regional area of inquiry. This could be anywhere on the Entire planet.

It is worth noting, however, that the terms 'market' and 'marketplace' are frequently used synonymously. While one stresses the commodity being sold, the other discusses the location in which the transaction takes place. A marketplace is a real or virtual venue where vendors and buyers can exchange goods, services, or information. It can refer to either a physical site, such as a bazaar or a shopping mall, or an online platform, such as Amazon or eBay. At the same time, a market encompasses the widespread exchange of products, services, or information. It may contain several marketplaces as well as other forms of exchange, such as bartering, gift-giving, or sharing. (The Content Authority 2023.)

Ordorica (2023) states that companies should thoroughly evaluate their objectives and reasons before starting the process of expanding internationally. Entering a market requires a tailored strategy depending on variables including the industry, target market, and available resources; it is not a one-size-fits-all undertaking. All critical details of the market entrance plan are clearly stated. It includes the business goals, a summary of the target market, exactly what the firm wants to offer to the new market, predicted sales, and how the organization intends to achieve them. This provides the company's staff with general guidance for its export project. (BDC s.a.)

Businesses can choose an effective strategy by linking their finances with their product requirements, thereby increasing profitability. The three elements that significantly affect a company's choice of international market entry strategies are marketing, where considerations are made in which country the target market contains, and how their products could be marketed to this demography; sourcing, where companies decide whether to produce, buy, or work with a manufacturing company overseas; and control, where companies decide whether to enter the market autonomously or work with a business partner when supplying their products to the international market (Indeed 2024.)

BDC s.a. expands the processes by establishing explicit targets for company development based on targeted sales, particular items or services to be exported, and so on. In addition, analyzing the market, its size, consumer trends, competition, and the company's unique value proposition, among other things; thirdly, selecting an entry method; fourth, evaluating funding and other requirements; and lastly, creating a strategy document for the team to completely grasp and follow. (BDC s.a.)

Some common international approaches to market entry include exporting, licensing, franchising, international subcontracting, turnkey operations, alliances, and foreign direct investment (FDI). These types of arrangements can be divided into three major groups: Exporting, Contractual Entry Modes, Foreign Direct Investments (FDIs), and other modes. (Hannoura 2023.)

3.1 Exporting

According to Coleman (2024) exports are products and services that are made in one nation and given to customers in another, and they are the foundation of international trade. Indeed (2024) posits that it comprises advertising and shipping the products from your country to other countries. Some companies do this directly, which means selling their products in global marketplaces without the use of a third party. It is a typical strategy for corporations to increase their market share globally.

In recent times, the overall strategy has evolved toward the use of exports in economic global operations. According to Welch, Benito, & Peterson (2007) international trade data collected have been consistently recorded in the national administrations' balance of payment accounts in the current account, and is subject to public attention and feedback under the general heading of exporting, due to their physicality and impact on government revenue, economic policy, and customs. While the word was originally meant to refer to worldwide physical product sales, it has been broadened to encompass both direct and indirect services (Welch et al. 2007).

Direct export allows exporters to carefully monitor trends and competition in host markets. They can also encourage interactions between producers and end users in order to gather feedback and expand the customers' demography. It also includes long-term commitments, such as offering after-sales services to attract repeat purchases. While these may be benefits to direct exporters, a key drawback is that it requires more resources, as it is more expensive and takes longer to create. When exploring or exporting overseas, most businesses make the error of failing to do a thorough market analysis. For example, failing to appreciate the market's competitive circumstances. Others might include a lack of customization for local markets, as well as a poorly managed distribution scheme, which could lead to an underperforming advertising effort. (Hannoura 2023.)

Indirect exporting is a less expensive kind of exporting since it allows the product's producer, manufacturer, or owners to sell directly to local agents, who then ship the items for export. It is mostly utilized by enterprises at the start of their internationalization process. This is possible through the employment of agents such as buying agents, distributors, or management and trading firms. In this form of export, firms could also hire buying agents, often known as confirming houses. They represent the businesses in the nations to which they intend to export. When processing orders for exporting businesses' products, these confirming houses charge a commission. However, the risks connected with the agreement remain with the exporting business. (Allianz s.a.)

It is also possible to indirectly export through a distributor who buys the products directly from the firms and sells them to customers in other countries at a markup of the actual price of the product to gain a margin. Distributors can represent the exporting firms exclusively or non-exclusively. (Allianz s.a.)

Management and Trading companies are another form of agencies that firms use for indirect exporting. These agencies specialize in a type of product or international market. They earn commission by taking orders for the exporting firm's product, and it is also possible they buy the product outright from the exporting firm and resell it abroad. Although these arrangements give the exporting

firms quick exposure to international markets, the firms have less control over their brand image and sales abroad. (Allianz s.a.)

3.2 Contractual Entry Modes

According to Cavusgil, Knight & Riesenberger (2019) two primary forms of contractual entry strategies are licensing and franchising. Licensing is an arrangement in which the owner of the intellectual property grants another entity permission to use the property for an agreed-upon amount of time in exchange for royalties or other payments. On the other hand, A franchise is a way of distributing products or services in which a franchisor establishes the brand's trademark and mechanism, and a franchisee pays a royalty and, in many cases, a start-up cost for the right to do business under the franchisor's brand and system of operations. International Franchising Association (s.a.) However posits that contractual entry processes are not confined to these two. Gradesfixer (2023) defines it as licensing, franchising, technical agreements, service contracts, management contracts, construction/turnkey contracts, co-production contracts, and other agreements.

3.2.1 Licensing

Licensing is an arrangement in which the owner of intellectual property grants rights to a different firm or individual to use that property for an agreed-upon length of time in exchange for royalties or other compensation. Gradesfixer (2023) refers to it as the transfer of intangible property rights that are not subject to import restrictions. A royalty is a payment offered regularly to reimburse a licensor for the temporary use of its intellectual assets or property. This is often a percentage of the total income generated by using the authorized asset. Licensing, as an entry plan, does not need major capital investment or significant engagement by the licensor. (Cavusgil et al. 2019.)

The advantages of licensing include the rapid diffusion of technology or brand awareness for a minimal initial investment. Licensing is a low-cost entrance method that may result in direct investment by licensees later in the future. It is primarily a relatively safe strategy to test the market before making substantial capital commitments. Risks include limited connection with clients handled by licensees, and a reduced ability to supervise the delivery of finalized products or services. This strategy relies on contractual control enforcement and can be difficult to pursue legal redress with business partners due to implementation problems. One can also disclose proprietary information, which may result in the transfer of knowledge and unfair competition. (Creatovate s.a.)

3.2.2 Franchising

According to Gradesfixer (2024) franchising, often known as property rights, is a sort of licensing in which the company model is licensed rather than the technology itself. A franchise is a network of stores in which an individual or group buys permission to run branch offices on the company's account (Indeed 2022). According to Welch et al. (2007) franchising is an independent sales relationship between suppliers and dealers whereby the dealer assumes some of the owner's identity. It is commonly seen as an ongoing relationship between the Franchisor and the Franchisee which includes not just the products, services, and trademarks, but also the entire company structure. It might include its market strategies, operation manuals, standards, quality and control, and two-way communication.

There is usually confusion differentiating licensing from franchising, and it may be difficult to make a distinction between them. In contrast, franchising is in the level of control while licensing gives the person receiving the license greater influence. In the company structure franchise agreements, the individual franchisee is severely limited, notably in terms of marketing techniques and campaigns. Licensees are frequently able to set many of the operation's parameters. This frequently happens with an established business, which determines many of the limits for the use of what is licensed. Even so, licensing as a foreign business is growing more like franchising. Licensing packages are growing more complex, adding to its marketing components. (Welch et al. 2007.)

3.2.3 Management Contract

A management contract is a market entry strategy in which a firm provides expertise in management to another for some time. This could be in exchange for a lump sum payment or a recurring charge, based on a percentage of sales volume. For example, utility services are industries that frequently use management contracts, and it could be feasible in developing markets that need help from established markets in overseeing newly constructed facilities. (Creatovate 2014.)

When the other party depends on management competence and the home party has the knowledge and abilities but cannot own the assets overseas, management contracts might be a useful entrance mechanism. It may also be a worthwhile, low-risk international learning opportunity. The risk of a limited period is present, as it depends on the contract for enforcement and compensation. Furthermore, for some contract management services, it might be challenging to build and expand brand equity or recognition. (Creatovate 2014.)

Contractual modes of entrance rely on mutual trust and the development of relationships between the parties; thus, before making contracts with businesses in foreign markets, important elements should be taken care of. First and foremost, are you communicating with the right partners? Are they the perfect fit for you? The legal system and alternative conflict resolution options available in the host nation should also be considered. Different legal systems and levels of contract respect are used in several markets to engage in business. It is advised to consult with expert service providers with relevant experience as well as other local company owners before considering contractual modes of entrance. This will help you fully understand the advantages and disadvantages of the venture, as well as how to minimize risks and maximize success criteria. (Creatovate 2014.)

3.2.4 Contract Manufacturing

Contract manufacturing is a binding legal approach to entering the market that saves your company money on local production expenses while preserving your brand's rights to marketing, sales, and distribution. Comparing contract manufacturing or subcontracting to a foreign country's greenfield manufacturing plant offers several benefits, one of which is a reduction in upfront risk and capital expenditure. In some cases, the company may also be able to leverage the distribution, marketing, and sales subsidiaries of the third-party manufacturing partner in addition to the knowledge, capacity, and resources that the partner offers locally. (Creatovate 2014.)

Two-way technical transfer and learning are possible, but there is a danger to intellectual property related to the production process or composition of the product (Creatovate 2014). Contract or sub-

contracted manufacturing is exemplified by the automotive industry, particularly in the case of car parts intended for later assembly by the manufacturer. It may be used at home or in host markets, and it is widely employed by producers and merchants in the food industry. Multinational brewery companies, for instance, sometimes employ the phrase "Brewed and Manufactured under license by..." in beer to lower freight costs and guarantee freshness in international markets. Through contracts, they may also take advantage of another brewer's distribution, sales, and marketing resources. (Creatovate 2014.)

3.2.5 International Subcontracting

According to ESCWA (2020) International subcontracting is a contract between a primary manufacturer or contractor (the principal) and a subcontractor (the supplier) for a particular production cycle, encompassing design, processing, manufacturing, building, and maintenance.

According to Ma (2024) subcontracting as a pattern in international operations offers many globalizing enterprises tremendous potential and has emerged as the preferred choice for businesses in the current day. Rather than having the ability to enhance the growth of global operations, the potential of international subcontracting has been found to be most significantly correlated with its ability to reduce overall costs. International subcontracting is influenced by employment and cost reduction, but these two factors have also made it a contentious technique with a wide range of difficulties pertaining to its application in business. (Ma 2024.)

Businesses frequently confront important organizational, coordination, and supply-chain issues when they consider outsourcing a variety of manufacturing tasks that they previously conducted internally. These included determining which firm to utilize in the foreign site, where the commodity or service should be produced, and what the particular requirements are for importing and exporting activities in the many participating nations. Ensuring quality is a critical concern, as is the prompt delivery of component components and the whole product, in addition to managing international bureaucracy and payment methods. (Ma 2024.)

Ma (2024) asserts that addressing these issues is a challenging research task, especially for businesses with no prior foreign experience. For instance, an European apparel manufacturer may be thinking about buying its materials in China and India and having the last stitching done in Vietnam. Significant demands are placed on the coordination, oversight, and overall administration of the European markets, even in this simplified scenario. Locating and securing reliable suppliers may also be challenging.

3.2.6 Turnkey Operations

Turnkey operations are contracts that, for a fee, involve the construction of functional facilities that are then turned over to the owner upon commissioning. Most often in large-scale, multi-year infrastructure projects including power plants, airports, railroads, and oil refineries. By outsourcing the management risks of establishing a huge project in a foreign nation, they enable owners to lower their risk upfront. Benefits include reduced management time because of the financial commitment and outsourcing some of the associated risks of overseeing a big construction project. Once opera-

tional, it takes over after construction. Risks include the peril of technology transfer and the potential for the subcontract manufacturer to use the knowledge acquired throughout the process to later compete with you in your industry. (Creatovate 2014.)

3.2.7 Strategic Alliance and Partnership

Creating a strategic alliance, sometimes referred to as a strategic partnership, with a local partner is an option. In this contract, two or more companies agree to work together for a predetermined amount of time to accomplish a common objective. The partner's potential contribution to the project must be taken into account to determine whether the alliance technique is right for the business. Working with a local company has advantages to working with one from outside the area, such as the former's easier ability to understand the local market, culture, and business practices. Partners are particularly beneficial if they possess a globally recognized brand or have existing relationships with customers that the company wants to target. (Babu s.a.)

Babu s.a. claims that strategic alliances have grown in acceptance over the past few years. They make it possible for companies to divide the risk and resources required to enter international markets. Revenues may need to be distributed, but they give the company flexibility that direct investments would not be able to match. Businesses may be driven to explore this kind of collaboration as they expand globally for a variety of reasons, including regulatory compliance, knowledge exchange, and joint product creation. Others can be relationship-based distribution channel access and political links. (Babu s.a.)

These kinds of partnerships are frequently beneficial when the partners have different but complementary strategic goals, when their resources, size, and market power are smaller than those of leading companies, and when they can share knowledge while protecting their exclusive talents. The disadvantages of collaborating, however, include the possibility that the partner's objectives will differ from the businesses and a loss of direct control. (Babu s.a.)

3.3 Foreign Direct Investment

According to Welch et al. (2007) foreign direct investment (FDI) happens when a foreign enterprise's shareholding level crosses a threshold. This suggests that the investing corporation gets considerable power over the foreign entity's major policies through long-term investment, whether or not that power is exerted.

The distinction between branch and subsidiary arrangements is a crucial legal point in foreign direct investment (FDI) enterprises. Notwithstanding, a foreign branch is legally obligated to uphold the parent company's obligations. A subsidiary, on the other hand, is formally established in a foreign market and is legally distinct from the parent company. Its legal responsibilities within the local context are often restricted to the activities and assets of the local subsidiary. Welch et al., 2007 mentioned that a domestic investor can acquire voting rights in a foreign firm in a number of ways. These consist of purchasing voting stock in a foreign company, buying and merging, developing partnerships with overseas companies, and setting up a local company's subsidiary abroad. (CFI 2024.)

Welch et al. (2007) asserted that several factors discovered in studies conducted over an extended period support firms' use of foreign direct investment (FDI) as a way of attaining worldwide development. These factors include closeness to consumers, the ability to leverage distinctive assets like technology, know-how, and brands, the ability to reduce costs, the bandwagon effect, the avoidance of tariffs and other trade obstacles (both natural and imposed by the government), government incentives, and more.

4 OVERVIEW OF THE NIGERIAN MARKET

With a population of more than 200 million, Nigeria is Africa's largest market, according to the International Trade Administration (s.a.) Nigeria, therefore, has a large labor pool at a far lower rate than that of high- and middle-income nations. The nation is also rich in natural resources, including solid minerals, natural gas, and precious stones. With low sulphur content and high-value crude oil production, it is one of Africa's top oil producers.

The amount of oil that the economy depends on has decreased recently. In the third quarter of 2022, oil's share of Nigeria's GDP decreased to around 5.6% from 7.5% in the same period of 2021. With oil making up 29% of all government revenue in the first half of 2022, oil money is a significant source of funding for the government. Nigeria's primary source of export revenue is still oil. In the first quarter of 2022, the total GDP expanded by 3.11% year over year, up from 3.98% in the second quarter. (The Administration of International Trade s.a.)



Figure 2: Nigeria map showing major cities and parts of surrounding countries (CIA s.a.)

The country is located in West Africa, bordering the Gulf of Africa and the Atlantic Ocean, and is classified as a developing nation. It borders Benin, Cameroon, Chad, and Niger. The country's landscape varies from the rich southern coastline lakes to tropical woods, woodlands, grasslands, and semi-desert regions in the north. Nigeria, a federal republic, features a mixed economic structure that includes the private sector, centralized economic planning, and government oversight. Nigeria, as a member of the Economic Community of West African States (ECOWAS), is a major player in regional economic cooperation in West Africa. (Global EDGE 2024.)

Nigeria has a diverse linguistic landscape, with hundreds of languages spoken, including Yoruba, Igbo, Fulani, Edo, Hausa, Ibibio, Isoko, Tiv, and English. The country is rich in natural resources, especially natural gas and petroleum. Nigeria is not only massive in size larger than the state of Texas in the United States, but it is also Africa's most densely inhabited country. Nigeria is also known as a Diverse cultural landscape with approximately 250 ethnic groups. (Britannica 2024.)

Nigeria's market is a diversified and dynamic landscape that offers both opportunities and challenges. The country's vast population, plentiful natural resources, and rising income levels make it an appealing choice for investors seeking growth prospects. Major businesses including oil and gas,

agriculture, telecommunications, and banking drive the country's economy. Nigeria has many appealing aspects, but it also faces obstacles such as poor infrastructure, security issues, corruption, and complex regulations that can disrupt corporate operations. (International Trade Administration s.a.)

4.1 Overview of the Nigerian Timber Market

Nigeria is Africa's most populous country, with the most concentrated populations in the southwest and south. With a population of 230,842,743 in 2023, it is estimated to grow to 392 million by 2050. The Gulf of Guinea, Niger, Chad, the Republic of Benin, and Cameroon all share borders with this country. It spans 923,768 square kilometers, with forests accounting for 9.5% of the total area. Natural gas, petroleum, metal, coal, iron oxide, limestone, niobium, lead, zinc, and land for agriculture are among the natural resources found in the country. (CIA s.a.)



FIGURE 2: Africa now has the world's second-fastest-growing demand for sawn wood after Asia. The continent could have a \$100 billion wood shortage by 2050. (Pavan 2023).

The timber industry has substantially benefited Nigeria's economy, both in terms of exports and locally as a source of raw materials for wood-based enterprises such as pulp and paper, furniture, match, and saw-milling, among others. It also helps to improve the ecosystem in the surrounding woody areas. It started making money for the country in 1846, when sawn timber and logs were sent to industrialized places like Western Europe. A prohibition on wood exports was imposed between 1975 and 1980 to foster the development of wood-based enterprises that used raw materials (Yusuf & Edom 2007.)

In 1994, the World Bank claimed that exports accounted for more than 83.5% of Nigeria's total foreign exchange revenues in the late 1960s. Despite Nigeria's vast agricultural and forest resources, the percentage of agricultural and forest export commodities to total exports has decreased in recent years, lowering their value as foreign cash earners. This is due to inadequate soil and water conservation measures, over-harvesting of material and timber products in forests for personal gain, poor forest management, and so on. (International Tropical Timber Organization 2005.)

Due to the ongoing high-level fluctuations in oil prices, the country's crude oil reserves are estimated to be low, and due to the ongoing rise in demand for wood and related goods in Nigeria as

well as around the world, there currently is an urgent demand to boost timber output to meet local and global demands. Although more than 300 tree species have been identified as viable timber species, only around 40% are being harvested. (International Tropical Wood Organization 2005.)

There is also a severe shortage of raw materials for the timber sector, which cannot handle small-scale planting materials. Nigeria, formerly a major exporter, is now a net importer of main forest products. In 2002, forest product imports were anticipated to be worth US\$123 million, compared to US\$18.5 million in exports. (International Tropical Timber Organization 2005.)

4.2 PESTLE Analysis of the Nigerian Timber Market

A PESTLE analysis, according to On Strategy (2022) examines market trends and external market factors (political, economic, social, technical, legal, and environmental) that might affect the performance, direction, and competitive positioning of a company. It offers an overview perspective of the entire globe from several angles that one would want to confirm and monitor when thinking about a certain idea or tactic. The elements of this approach are essential for every sector in which a company works. This framework serves as one of the pillars of strategic management, which goes beyond simply understanding the market to include accounting for an organization's objectives and the strategies that support them in addition to dictating what should be done by a company. (Pestle Analysis 2024.)

In order to study the Nigerian wood and forestry sector, this research work used the PESTLE framework, which is important because it is a straightforward framework that promotes the development of strategic and external thinking, helps companies identify business opportunities, foresees future business dangers, and helps them take appropriate action to prevent or lessen those threats' effects. (Institute for Chartered Personnel Development 2024.)

4.2.1 Political and Legal Factors

The political environment around the Nigerian wood industry is steady, especially when importing premium timber. In contrast to the forestry taxation systems of other West African countries, Uzu, Bettinger, Siry, & Mei (2022) claim that each state in Nigeria sets the charge for each category of forest product, subjecting them to underpricing. As a result, over time, its contribution to the economy has decreased significantly. Concerning property rights, every state in Nigeria is granted ownership of its land under the Land Use Act of 1978, which eliminated the customary land tenure system. While the local government is in charge of allocating non-urban lands, the governor retains the assets in trust and is in charge of awarding land in urban areas upon application. Mineral deposits underneath the soil are considered national assets. Successful applicants may be given occupancy rights for a maximum of 99 years, throughout that time, they will have exclusive rights to the property and can profit from any resources and improvements above ground, such as trees. (Uzu et al. 2022).

The majority of lands in rural regions are still subject to customary law, which says that the village head holds the property in trust for the community and that individuals of the community are allowed to utilize a piece of the land that they inherit, are allotted by the chief, or are obtained by leasing, borrowing, pledge, or gift. Land ownership conflicts are prevalent in rural areas, despite the

necessary legal framework. Widespread corruption in the property registration and titling processes hinders the protection of property rights. In addition to government regulations, the forest products industry faces challenges from funding availability, energy availability and pricing, and transportation expenses. (Uzu et al. 2022).

4.2.2 Economic Factors

In 2001, the forest sector contributed only 0.5% of Nigeria's GDP. Despite providing a sizable amount of domestic food, energy, and medical supplies, forests remain underrepresented in official national accounting (International Tropical Timber Organization 2005).

Uzu et al. (2022) states that Nigeria is the only country in West Africa that produces wood pulp and paper products. Over the last 20 years, the country's output has increased by 18.8% to 76,000 tons in 2019, however, this quantity is insufficient to meet the country's need for pulp and paper products. On the other hand, the production of wood charcoal increased by 48.9% between 2000 and 2019, resulting in an output volume of 4,595,112 tons. Considering that Nigeria is the world's largest producer of charcoal, this rise is not surprising. Unfortunately, over 76% of charcoal producers do not replace the trees used to generate charcoal, and the bulk of charcoal produced in Nigeria originates from natural forests. Nigeria's naturally replenishing forests and its plantation forests are the main sources of the country's wood production outputs; nonetheless, plantation forests only make up 1% of Nigeria's forest cover. (Uzu et al. 2022.)

Nigeria's forest trade has the largest monetary value among West African nations between 2000 and 2019, with imports making up an average of 89% of the overall value. The bulk of Nigeria's trade deficits in the forestry industry in 2000, 2009, and 2019 (amounting to \$245 million, \$895 million, and \$967 million) were caused by the imports of wood pulp and paper goods. For instance, Nigeria imported \$0.96 billion worth of wood pulp and paper products in 2019, but the total revenue from the export of timber forest products—which significantly gave the nation's GDP a boost—was just \$0.1 billion. (Uzu et al. 2022.)

Nigeria's top three suppliers of paper and paperboard in 2019 were China, India, and Indonesia; these three countries accounted for around 53.8% of Nigeria's imports in this category. Before the Russian product embargo, the United States of America, China, and Russia accounted for 11% of Nigeria's wood pulp and cellulose fiber imports. The primary cause of this large importation of wood pulp and paper products is the scarcity of raw materials in the area, the most significant of which are long-fiber species. Over the past 20 years, there has been a huge growth in the quantity of charcoal transported, which has increased revenue and become Nigeria's highest-earning wood product. (Uzu et al. 2022.)

The Nigerian Federal Government temporarily banned the export of charcoal in 2016 when it was found that producers of wood charcoal were not replacing harvested trees, in violation of the "cut one, plant two" rule. More than 75% of Nigeria's exports of charcoal are sent to the EU. This export would not typically be feasible since Nigeria has not ratified any Voluntary Partnership Agreements with the European Union under the Forest Law Enforcement, Governance, and Trade Action Plan. However, because charcoal is exempt from the European Timber Regulation, exporters who may not

be sourcing their goods from sustainably managed forests can take advantage of this loophole (Uzu et al. 2022.)

4.2.3 Socio-cultural Factors

Wood products have always played an important role in meeting fundamental human requirements such as energy, housing, and transportation (Olorunnisola 2022). Timber goods are in great demand in Nigeria, making importation profitable. According to Olorunnisola (2022) the building sector in Nigeria alone utilizes over 80% of the country's entire yearly wood production. In addition, over 70% of the wood sector is made up of sawmilling and furniture production in terms of business volume, employment generation, and wood consumption. This is not unexpected, considering that Nigeria now has the largest population in Africa estimated at over 200 million, with 16.8% of the population being youths between the ages of 15 and 35. It also has a very high rate of population increase by 2.53% and urbanization expansion by 2.8–3% annually. (Olorunnisola 2022.)

According to Olorunnisola (2022) imports and natural forests—which comprise secondary forests, farmlands and derived savanna, forest reserves, forest plantations, and Taungya farms—are now Nigeria's main sources of log supply for the country's wood sector. The Taungya method uses free labor from farmers to produce food and forest tree products in the humid rainforest zone of southern Nigeria. However, because at least 26 kinds of hardwood trees are endangered, harvesting them was outlawed in 1999 in a number of states in Nigeria.

4.2.4 Technological Factors

A semi-manual logging method that combines the use of axes and power chain saws is frequently used to fell trees. There are two common ways that logs are transported. These include road transportation with wood trucks and water transportation in riverine (swampy) areas that cannot support heavy logging equipment. (Olorunnisola 2022.)

In terms of quantity, distribution, consumption of wood, and employment generation, Nigeria's sawmilling sector is dominated by small, privately held businesses that are grouped together both inside and outside of towns and cities in wood-producing regions. The workforce at these mills is largely semiliterate due to the hard labor involved in sawmilling processes. Research shows that decisions on conversion planning, such as choosing the ideal sawing technique and opening face, are left to the sawyer's judgment, which is solely dependent on experience and intuition. This makes it difficult to forecast log conversion efficiency with any degree of accuracy. (Olorunnisola 2022.)

The prevalence of sole ownership in sawmill enterprises limits the ability of owners to raise financing for investments. It might be challenging required to raise money for the upgrade of industrial facilities. The fact that many log conversion tools, including mortising and tenoning machines, and saw doctoring equipment, are now produced locally instead of being imported, lowers their cost and fosters the growth of local expertise, is a recent beneficial development. As a result, setting up small-scale sawmills without importing machinery is growing in popularity. But generally speaking, Nigerian sawmills lack the advanced machinery and sawing technology of industrialized nations, where, by the 1970s, large-scale sawmills with complete automation and substantial computerization of log-processing operations had evolved. (Olorunnisola 2022.)

In addition, there was a brief re-emergence of the wood preservation sector in the early 2000s, when several small-scale treated pole retail stores appeared all across the nation. This resulted from the simultaneous efforts of the federal government to link telephone lines to all local government headquarters and the actions taken by many state governments to electrify rural areas. For wood seasoning, conventional air drying has been the primary method. The majority of wooden furniture is still made by small businesses, with very few medium- and large-scale factories. Many different types of furniture, including office, school, and home furnishings in a range of styles and quality, are frequently produced by these furniture companies. (Olorunnisola 2022.)

4.2.5 Environmental Factors

Nigerian vegetation may be broadly classified into two categories: savanna and forests. While savannas may be further divided into Sahel, Sudan, Northern Guinea, Southern Guinea, and derived savannas, forests can be further divided into mangroves, freshwater swamps, and tropical rainforests. Numerous tropical hardwood species can flourish due to the diversity of the flora, with several of them reaching large quantities. (Olorunnisola 2022.)

The natural forest is made up of around 70% open tree savanna and 30% closed woodland. Lowland wet forests (40%), freshwater marshes (38%) and mangrove and coastal forests (22%) make up the closed forest. The second kind, also referred to as "high forest," is divided into mixed deciduous forests in the north and lowland rainforests in the south. These forest types, which make up just around 2% of the total land area, are the main producers of hardwood timber even though they have been severely damaged. (International Tropical Timber Organization 2005.)

In 2001, the forest sector contributed only 0.5% of Nigeria's GDP. Despite being a major source of domestic energy, food, and medical supplies, forests are not fully acknowledged in official national accounting. Inadequate funding is a major problem for Nigerian forests. Nigeria has experienced several changes in its forestry industry, yet it is still a significant supplier of raw logs. It was the biggest wood producer in Africa and a major supplier of industrial roundwood to the rest of the world in the 1960s. (International Tropical Timber Organization 2005.)

With the exception of wood charcoal, wood pulp, and paper, Nigeria was expected to produce more than 76 million m³ of forest wood in 2019. A high unprocessed-to-processed log volume ratio is indicative of the nation's restricted capacity for value-adding and wood processing at sawmill sites, which has mostly stayed constant over the past 20 years. The local furniture sector continues to be a major market for raw wood despite a number of initiatives targeted at strengthening the nation's domestic wood processing capacity (Babatunde et al. 2017). There are wood-based businesses in almost every local government area in several Nigerian states, however there may not be enough labor. As of 2005, the International Tropical Timber Organization (International Tropical Timber Organization 2005.)

5 CHALLENGES OF IMPORTING TO NIGERIA

In this interconnected world where the mobility of goods, services, and human capital is essential, no country, including Nigeria, can be self-sufficient. (Huard & Adenaya s.a.) Nigeria is Africa's largest market, with over 200 million people. The country is enticing to import sectors because of its growing middle class and purchasing power, dependency on imports, and favorable trade prospects. Despite these opportunities, there are a few common problems. (Huard & Adenaya s.a.)

Imports of goods and services include citizens purchasing items and services from non-residents through purchases, trading, or gifting, regardless of whether the commodities travel across borders. Notably, commodities exported overseas for customs work or processing remain labelled as exports, and processed goods are not considered imports; instead, the importation of industrial services in the paying nation indicates the value difference between completed goods and inputs. (Insee 2021.)

Importation into Nigeria presents various challenges for companies. The first category is bans and prohibitions, a forbidden commodity that cannot be distributed or consumed in a certain nation. They are mostly foreign items or commodities deemed detrimental to citizens, and their usage will affect the economy. For example, canned meat is not permitted to be imported into Nigeria, and anyone discovered doing so is deemed a smuggler and faces legal consequences. Unfortunately, there is currently no infrastructure in Nigeria to make canned beef, therefore unscrupulous businesspeople import corned beef from Brazil, Argentina, and China daily, in cooperation with government authorities. (Maswood 2019.)

Import taxes and tariffs are another barrier to imports in Nigeria. The Nigerian government imposes tariffs on commodities imported into the country with the primary objective of limiting imports in favour of indigenously available alternatives or functioning as a revenue stream for the government. (Maswood 2019). In addition to the tariff, national sales taxes, local taxes, and customs fees are frequently collected. Taxes and other levies are collected during customs clearance. Tariffs and levies also raise the price of imported goods in Nigeria, reducing a company's market competitiveness. (International Trade Administration s.a.)

Nigeria puts additional taxes and penalties on certain imports, resulting in drastically higher effective tariff rates. Nigeria, for example, imposes an effective charge of 50% or higher on over 80 tariff lines. These include approximately 35 tariff lines whose effective charges exceed ECOWAS's 70% threshold. Most of these products are luxury items, such as yachts, motorboats, and other recreational vehicles at 75%, Alcohol and tobacco products are also covered at 75–95%. Furthermore, Nigeria sets high effective tariff rates on imports into key industries in order to boost local industry competitiveness. The agricultural products with the largest additional tariffs include wheat at 85%, sugar at 75%, rice at 70%, and tomato paste at 50%. The most often mined products are salt at 70% and cement at 55%. (International Trade Administration s.a.)

According to Maswood (2019) another impediment to importing into Nigeria is the time-consuming customs clearance process. Most potential professional importers have been put off by the complexities of the Nigerian Customs operations, and present ones are dissatisfied. It is the government's subtle attempt to discourage importation and reduce the value of lawful commodities brought into

the country. They highlight invisible levies, as well as the standards that an importer must follow to be accredited. One of the conditions is the disclosure of bankers, who play an important role in international trade. Goods may leave foreign ports in fine shape, but they are often damaged at the port of discharge in Nigeria. It results in a rejection for which no one accepts responsibility, and the amount/quantity of spoilage is precisely related to the amount of loss experienced by the importer.

An additional barrier for goods being imported into Nigeria is import certifications and documentation. Understanding the documentation needs of Nigerian Customs authorities is one major problem. A particular kind of good requires different certifications and paperwork than a very similar kind of good. This usually leads to miscommunication and inaccurate documentation, which results in shipments being held up at the port of discharge in Nigeria. Maswood (2019) posits that to receive approval for importing goods into Nigeria, merchants often need to present a bill of lading, commercial invoice, exit note, accurately filled-out Form 'M' entrance declaration, packaging list, declaration for individual items, and item certificates.

A combination certificate of value and origin (CCVO), which was required of importers until recently, was as well. To align with international trading procedures and stakeholder recommendations, the Central Bank of Nigeria (CBN) updated its commercial transaction standards in April 2017 and substituted the simplified certificate of origin for the CCVO. A 48-hour processing time limit from the application's receipt is also specified in the change. (International Trade Administration s.a.)

In addition to the issues outlined above, logistics is a key difficulty when importing products into Nigeria. Needless to say, given the importance of logistics in international trade, it is frequently the source of the most frustration when things do not go as planned. Logistics problems that Nigerian importers deal with include cancellations of incoming boats, delays at the port of loading, and delays during transshipment. The entire schedule can be disrupted by this, costing importers and exporters hefty financial damages. The majority of Nigerian logistics companies do not communicate the actual issue well, which prevents them from coming up with a backup plan to reduce losses. (Maswood 2019.)

5.1 Challenges of Importing Timber to Nigeria

According to the African Development Bank Group (2021) many African nations have exceptionally important forest resources, yet the continent continues to import a substantial amount of timber and timber products. Nigeria's expanding population and varied building requirements mostly rely on the importation of lumber. Nigeria, a big African market, relies on imported timber to supplement its native supply and support diverse sectors such as building, furniture production, and woodworking. However, importing timber into Nigeria has several hurdles that can make the process tough for both buyers and sellers, the majority of which reflect global and local concerns. Some of the key problems include:

5.1.1 Corruption

One of the major problems in the importation of any product into the country is port corruption and bribery, and Timber importation is not left behind. This may drastically delay and raise the cost of timber shipments. More than 80% of commerce into Nigeria is transported by water and through

ports, and every firm that is part of Nigeria's supply chains must rely on ports for imports. Every day, vessels and cargos enter ports, and the procedures include a wide range of stakeholders from many jurisdictions, resulting in countless encounters with government authorities, including Customs. (World Customs Organization 2023.)

The port is an administrative monopoly over an imperative public service that companies rely on to function and thrive. This creates an environment conducive to coercive corruption, in which government officials take payments from corporations for conducting basic tasks like vessel and cargo clearance. This particular form of maritime corruption raises expenses and, in the end, impedes economic and social progress. Particularly in low- and middle-income countries with the highest trade expenses, such as Nigeria. (World Customs Organization 2023.)

According to the World Customs Organization (2023) corruption presents substantial hurdles for Finnish enterprises looking for opportunities in the Nigerian market, hurting all elements of trade and commercial operations. According to studies conducted in Southern Africa, bribes can boost shipping prices by up to 14% for a basic 20ft container. By a consequence, shipping business organizations frequently choose longer and less direct routes to avoid corrupt ports, which raises trade prices, fuel consumption, greenhouse gas emissions, and regional congestion. Additionally, fraudulent demands at ports sometimes accompany threats of cargo and vessel delays. Bribes cause slow clearance lineups, which exacerbates delays and disrupts supply networks. Corruption at borders and ports facilitates illicit activities such as wood smuggling and tax fraud, disrupting economic operations. (World Customs Organization 2023.)

Furthermore, the safety of mariners is compromised due to unscrupulous demands. Rejecting or disputing such orders puts sailors, boats, and cargo at risk, exposing them to injury. The psychological toll on sailors is especially worrying since they face intense pressure from port officials who can inflict costly delays and detentions. (World Customs Organization 2023.)

5.1.2 Enforcement of regulations and standards

Another major difficulty might be the uneven implementation of legislation and standards governing wood imports. According to The Nigerian Economic Summit Group (2024) Nigeria's experience soliciting investments for development purposes has demonstrated that a lack of policy coordination is one of the key impediments to success in this sector. Despite discussions about the need for a quick recovery from the impact of COVID-19, the NESG's Macroeconomic Outlook for 2021 has since been on the verge of achieving policy consistency, having identified four prominent drivers of policy inconsistency as a lack of central vision, ideology, or goal; a weak policy framework; the assumption of independence of actions by policymaking institutions; and insufficient stakeholder consultation. The Nigerian Economic Summit Group (2021) found that unless the issue is resolved successfully, timber importers may face uncertainty about the required paperwork and specifications, resulting in delays and perhaps shipment rejections.

5.1.3 Import duties and taxes

The high import fees and taxes on commodities entering Nigeria might make it difficult for importers to compete with locally derived wood, affecting overall market dynamics. According to Salau (2024)

the ongoing rise in import taxes is impacting cargo importation into the country, with importers and clearing agencies complaining about the high cost of shipping into Nigeria and clearing consignments at various ports around the country. With the amount of imports decreasing, some agents and importers are currently out of business, while others continue to complain about the unfortunate circumstances. (Salau 2024.)

(Salau 2024) went on to allege that Customs raised import tax rates at least seven times in 2023. The most recent increase happened in mid-December when the price was computed using naira-to-dollar exchange rates of N952 to \$1 rather than 783 to \$1. This has an influence on timber imports into the country since high customs duties make imported commodities prohibitively expensive for ordinary individuals and make competing with locally obtained timber unprofitable.

5.1.4 Illegal logging

Illegal cutting of timber creates its own set of issues for timber imports and exporting into the nation. Logging is the process of cutting, processing, and transporting trees. This marks the start of a supply chain that will produce raw materials for a wide range of goods, societies, and global applications such as housing, construction, energy, and ecological restoration. In forestry, the term logging can be utilized broadly to refer to the logistics of transporting timber straight from the tree to a site outside the forest, like a sawmill or lumber yard. In general, the term may be applied to a wide range of forestry and landscaping operations. (Chigonu, Nyingi, Wekhe & Elijah 2023.)



Figure 3: Over 1.4 million logs were illegally traded from Nigeria to China. (EIA 2017)

According to Chigonu et al. (2023) illegal logging has been defined as the harvesting process, shipping, buying, or selling of timber contrary to the rules and regulations. Harvest technique itself may be unlawful, such as utilizing unscrupulous tactics to acquire access to the forests or extracting from a protected region. Cutting down protected species or extracting wood over agreed-upon restrictions. Illegal logging is the indiscriminate removal of logs from the forest without following the necessary process outlined in the government's logging and harvesting policy. The unlawful logs are frequently turned into planks (flitches) on-site using a piece of manual power-saw equipment.

As a result, illegally logged forests have an impact on market economics. According to Chigonu et al. (2023) the reason for this is that illegally logged wood is often cheaper than legal and imported timber in the black and open markets, depriving legitimate businesses a competitive edge.

Nigeria's natural resource conservation laws to combat the menace comprise the Natural Resources Conservation Act¹⁵, the Nation Environmental Standards and Regulation Enforcement Agency Establishment (NESREA) Act¹⁷, the Environmental Impact Assessment (EIA) Act¹⁸, the Endangered Species Act¹⁹, and the National Park Act²¹, as well as many NGOs that protect the country's natural resources. However, it appears that enforcement of unlawful logging is as difficult as illegal logging itself. This is because enforcement of illicit logging in Nigeria has been unsuccessful due to various flaws in the Nigerian system. (Chigonu et al. 2023.)

5.1.5 Inflation, Exchange Rate and Currency Devaluation

According to The Conversation (2024) at a time when Nigeria was recovering from COVID-19, the country faced growing inflation. Nigeria's inflation rate climbed to 29.9% during January 2024 as 28.92% in the last month of 2023. The result is the highest it has been in two decades. According to Nigeria's Central Bank Governor, Olayemi Caroso, the inflation rate in the nation is expected to fall to 21.4% by late 2024, but not dramatically. Akwe, Isah, Hussein, Abdulsalam & Umar (2020) describe inflation as a long-term increase in the general level of prices for goods and services in an economy.

Based on StudySmarter (2024) a nation's level of inflation is significantly influenced by the value of its currency and exchange rate. Imported goods cost more when a nation's currency depreciates or loses value. A weaker currency often leads to inflation since the price of imported goods affects home prices. Nigeria's currency, the naira, has further declined to 1,524 to the US dollar, marking a 230% decline in value from the previous year.

Falling currency exacerbates an already dire position, diminishing incomes and savings and making items imported from overseas more costly while wages are stagnant. It squeezes millions of Nigerians who are already struggling owing to governmental policy changes such as the withdrawal of gas subsidies, which has resulted in gas prices doubling, on top of the country's already high inflation rate. (VOA 2024.). All of this impacts the cost of imports, raising domestic inflation and resulting in a higher interest rate, which may further devalue the currency if not carefully handled. (StudySmarter 2024).

6 RESEARCH METHODOLOGY

This chapter describes the research procedure and methodologies employed, the significance of the study, the research goal, and the research execution. The qualitative research method was applied throughout the study. However, both primary and secondary data collections were implemented.

6.1 Qualitative Research

By delving deeply into the phenomena under study, qualitative research strives to provide researchers with valuable insights into the field. In qualitative research, participant observation, focus groups, interviews, and text or document analysis are often used as data-collecting techniques. Researchers may watch interactions and behavior in natural settings through this kind of study. It gently yields thorough explanations of the phenomena being studied, giving the context and nuance of the results. It is useful for delving into intricate social phenomena, ending people's viewpoints and experiences, and formulating research ideas. This type of methodology aids in the recognition and acceptance of the subjectivity and biases of researchers. It aids in the researcher's reflection on how their experiences, background, and viewpoints could affect the course of the study and its conclusions. (Tenny, Brannan, & Brannan 2022.)

For this study, primary data gathering will be used, and experts and other stakeholders will be interviewed to source the data. The decision to utilize primary data gathering for this research on Finnish timber firms entering the Nigerian market is based on several key considerations. The research aims to understand the specific challenges and opportunities that Finnish timber firms might encounter when entering the Nigerian market. Primary data, collected directly from relevant stakeholders, such as Finnish timber firms, Nigerian importers, and other industry experts, will provide the most accurate and up-to-date information on these issues.

Additionally, existing secondary data on the Nigerian timber market may be limited or outdated. Primary data collection will allow for the gathering of fresh insights and perspectives that are not readily available elsewhere. The Nigerian timber market is complex and dynamic, with numerous factors influencing its operations. Primary data collection will enable researchers to capture the irregularities and complexities of the market that may not be evident from secondary sources.

The use of primary data gathering is essential for this research due to its ability to address the specific needs of the study, fill gaps in existing knowledge, capture the complexities of the Nigerian timber market, ensure data relevance and accuracy, and facilitate in-depth analysis. However, secondary data will also be employed to support the study.

6.2 Primary Data Collected for the Thesis

According to Ajayi (2023) Primary data is one which is collected for the first time by the researcher. Some characteristics of primary data is that it is a factual and real-time data, original and collected with the aim of getting solutions to the problem at hand. To put it plainly, primary data is gathered without the influence of third parties and obtained directly from the source.

Primary data collection allows for customizing data collection methods and instruments to ensure that the data gathered is directly relevant to the research questions. This reduces the risk of bias

and ensures the accuracy of the findings. This form of data collection, such as interviews and surveys, allows for the gathering of qualitative data that provides rich insights into the motivations, perceptions, and experiences of stakeholders (Muhammad 2016). This qualitative data can be used to complement quantitative data and provide a more holistic understanding of the research topic.

Information from industry experts, forestry sector businesses, and other stakeholders including the Finnish Embassy was gathered in the process of conducting the research using primary data. The interview questions were carefully chosen to ensure they align with the research objectives, target the relevant stakeholders, and cover all the key areas of interest related to the research topic. A mix of open-ended and closed-ended questions was used to gather both detailed and specific information. The questions were clear, concise, and unambiguous to avoid misinterpretations.

The interview questions were finalized after a thorough literature review had been conducted and before data collection began. This helped to ensure that the questions were informed by existing knowledge and that the data gathered was relevant to the research questions. This was carried out to get accurate information about the import and export of timber into and from Finland and Nigeria. Depending on the interviewees' availability, virtual interviews will be held. Every interview will adhere to a predetermined set of questions, but interviewees will be able to share their ideas and opinions in addition to those that were asked. With the participants' permission, all interviews will be recorded, transcribed, and emailed to them for future reference. To find important themes and patterns associated with the study topics, this data will also be classified.

6.3 Secondary Data Collected for the Thesis

According to Qualtrics, s.a. Information that has already been gathered, processed, and evaluated by another party for a goal unlinked to the present study or inquiry is referred to as secondary data. Numerous sources, such as governmental bodies, academic institutions, company reports, research centers, and other organizations, may provide this data. To supplement primary data—information gathered directly by the researcher for a particular study or project—secondary data is frequently employed in research. The secondary data for this study was gathered from the websites of the Finnish wood producers, Business Finland, industrial research organizations, and government statistics.

7 ANALYSIS OF THE INTERVIEWS WITH THE RESEARCH SUBJECTS

The interviews conducted shed light on the challenges Finnish companies encounter when exporting to Africa. These challenges span various aspects, including navigating complex regulations, cultural differences, and logistical obstacles. Additionally, it discusses the difficulties Nigerian timber importers face when sourcing timber products from foreign countries. These hurdles may encompass issues such as import duties, customs procedures, quality control, and finding reliable suppliers. By exploring both perspectives, the interview highlights the nature of international trade dynamics between Finland and Nigeria. Understanding these challenges is crucial for devising effective strategies to facilitate smoother trade relations and enhance business opportunities between the two nations.

As earlier mentioned, some data were collected through interviews, there were about twelve timber companies in Finland and three timber business owners in Nigeria contacted. However, two timber companies in Finland, a representative from Business Finland, and two timber business owners in Nigeria agreed to participate in the interview. The interviews were between 25-40 minutes. Some research subjects were discovered via the "Wood from Finland" website, Business Finland, and the Nigerian research subjects were discovered through networking.

7.1 Analysis of the First Respondent

Vaara Group is a Finnish family-owned timber manufacturer situated in Lapland with a revenue of 40 million and 100 employees in Tervola Puupuisto. Veljekset Vaara, Vaaran Metsä, and Vaaran Palkki corporations are an expanding group of firms that manage the complete wood processing chain from the forest to logs and painted cladding products. The company's entire annual production is about 80,000 m³, which serves the firm's sales customers all over the world. Vaara Group focuses on producing painted exterior cladding products, planed timber, and non-settling CLT logs. All these products are made from durable and high-quality northern spruce and pine. (Vaara s.a.)

The company's roots run deep in the northern soil, and it is thought that sustainably managed forests provide the foundation for high-quality wood products today and in the future. That is why the company takes care of precious raw resources from the seedling stage. All Vaara Group goods are also Programme for the Endorsement of Forest Certification (PEFC) and Forest Stewardship Council (FSC) certified. The company is expanding its operations from cladding to glued wood goods and plans to serve an even larger customer base in the future. (Wood From Finland s.a.).

The respondent for The Vaara Group was Tero Saapunki, the HR & Safety Manager for the Vaara Group. He has been working for the firm for more than 2 years. In his words, the firm currently exports to four African countries which are Egypt, Algeria, Morocco, and Tunisia. When asked about entering the Nigerian market, the respondent expressed willingness, pending finding a way to enter the market. He mentioned that political and geopolitical challenges, such as those related to the Suez Canal, affect the company's timber exports. The firm adjusts the quantity of timber shipped in response to fluctuations in global timber prices, and to hedge the risks associated with currency exchange rate fluctuations, the company deals in United States Dollars with countries outside the Eurozone. (Vaara s.a.)

Regarding challenges related to culture, labor rights, and social disruptions in export countries, he mentioned that the company adheres to strict regulations and follows International Labour Organization (ILO) rights. In terms of environmental regulations, the firm engages in sustainable practices and provides eco-friendly timber, as encouraged by the export country. The primary logistical challenges faced by the firm include difficulties at the Suez Canal and occasional disruptions by pirates at sea. (Vaara s.a.)

To ensure the quality and integrity of timber products during transportation and export, the firm follows the Programme for the Endorsement Forest Certification (PEFC) and Forest Stewardship Council (FSC) certificates and ensures sustainability and quality. Strategies to mitigate risks related to theft, piracy, and illegal logging involve legal tree harvesting and monitoring from growth to harvest. The firm handles documentation and paperwork requirements for timber exports by obtaining the necessary documents from the right sources, with the Chamber of Commerce playing a vital role. (Vaara s.a.)

Concerns related to deforestation and habitat destruction raised by environmental organizations or advocacy groups in export markets are addressed by strictly following regulations and encouraging sustainable practices, as already encouraged by the countries involved. (Vaara s.a.)

7.2 Analysis of the Second Respondent

Koskisen, a Finnish timber firm with a rich legacy spanning over a century, specializes in transforming Finnish timber into long-lasting items. With a profound expertise in wood products and processing, the company upholds values of integrity, courage, innovation, and efficiency in its endeavors. Their primary objectives revolve around understanding the specific requirements of their clientele to exceed expectations and elevate their businesses through inventive solutions. Koskisen offers a wide array of wood products, cutting-edge technology, a robust sales network, customer-centric service, and tailored solutions to comprehensively address customer needs. The company is dedicated to sustainable and responsible development and enhancement of its offerings. (Koskisen s.a.)

Our respondent for the Koskisen Group, Jukka Tamminen, the Export Sales Manager for the Koskisen Group, has been an integral part of the firm for approximately 35 years. In his words, the firm currently exports to several African countries, including Egypt, Algeria, Tunisia, South Africa, and Morocco, with previous exports to Sudan. When asked about entering the Nigerian market, the respondent also expressed willingness, pending finding a way to expand its operations to the Nigerian timber market. He mentioned that political and geopolitical challenges, such as those related to Russia, Ukraine, and the closure of the Suez Canal, have caused fluctuations in prices and created chaos. (Koskisen s.a.)

He also said that the fluctuations in global timber prices impact the firm's export operations and profitability, leading to renegotiations with buyers to agree on new terms. To manage risks associated with currency exchange rate fluctuations, the company deals in US dollars with countries outside the Eurozone and uses the Euro fully for business with Japan. Regarding challenges related to

culture, labor rights, and social disruptions in export countries, the company follows individual country's rules and regulations. He mentioned an issue with agents in Israel during a war, which affected the working force. (Tamminen 2024.)

The firm does not have any major logistics challenges because the products are sold to clients using the FCA (Free Carrier) incoterms, where the firm is not liable for the shipment while in transit to the buyers' destination. Strategies to mitigate risks related to theft, piracy, or illegal logging during timber exports involve leveraging FCA incoterms to avoid some associated risks. To ensure the quality and integrity of timber products during transportation and export, the firm purchases timber from private forest owners, government sources, and churches, aiming to ensure the sustainable and excellent condition of the timber. (Tamminen 2024.)

Handling documentation and paperwork requirements for timber exports, including customs declarations, is noted to be stressful in some countries due to efforts to protect local producers. Regarding concerns related to deforestation and habitat destruction raised by environmental organizations or advocacy groups in export markets, he said the firm aims to ensure sustainable practices with the forest owners, despite not owning any forests themselves. (Tamminen 2024.)

7.3 Analysis of the Third Respondent

Business Finland is a Finnish government agency that promotes trade, investment, and tourism. It also provides funding for innovation and helps companies internationalize. With a team of 600 experts, Business Finland operates across 40 global offices and 16 regional offices within Finland. It is an integral part of the Team Finland network. (Suomi.fi, s.a.) At Business Finland, they are dedicated to empowering their client companies to thrive and expand on a global scale, fostering innovation for the future, and revolutionizing their business practices with courage. Business Finland also actively encourages partnerships between companies and research entities to cultivate emerging initiatives into international business ecosystems. The mission is to elevate Finland into the premier hub for innovation and competitiveness, as well as the top choice for investments and travel worldwide. (Business Finland s.a.)

Our respondent for Business Finland was Timi Bartels, the Senior Advisor, West Africa Region, for Business Finland. In his words, Finnish companies such as Nokia, Wartsila, and Vaisala are present in Nigeria, with Nokia and Wartsila possibly having a staff strength of 20 to 50 on-site staff. Regarding timber exports to Nigeria, there is a mention of interest from Finnish timber companies like Lunawood, but no specific knowledge of Finnish companies exporting timber to Nigeria. (Bartels 2024).

Political and geopolitical challenges affecting Finnish company exports to Nigeria from Finland include currency fluctuations between the Euro and the Nigerian Naira, changes in trade policies, tariffs, import/export regulations, and Nigeria's infrastructure challenges. Some of the measures used to manage risks associated with currency exchange rate fluctuations and their impact on export revenues include netting, contractual agreements, and monitoring and forecasting exchange rate movements. (Bartels 2024).

Socio-cultural challenges faced in Africa and Nigeria include market volatility, corruption, infrastructure, and security concerns. Trade barriers or tariffs Finnish timber firms may face when exporting timber to Africa and Nigeria include lengthy and complex customs procedures, export restrictions by some African countries, exchange rate fluctuations, and infrastructural challenges. (Bartels 2024).

The specific bilateral agreement between Finland and Nigeria on the importation of timber is not known, but standard regulations such as environmental regulations, investment and technology transfer, quality standards, and quotas may be required. Impeding factors affecting the importation of Finnish products or Finnish timber products to Nigeria include currency fluctuation, trade policy and regulations, infrastructure, and government policies. (Bartels 2024).

Strategies employed by the Finnish government to support Finnish firms in the diaspora and mitigate risks related to theft, piracy, or sustainability during exports are not known. Finnish companies should navigate regulatory requirements and compliance issues in countries where they export timber to, by conducting thorough risk assessments, developing contingency plans, cultivating strong partnerships with local stakeholders, and leveraging government support. (Bartels 2024).

The extent of Finnish government assistance in handling documentation and paperwork requirements for Finnish products to Nigeria, including customs declarations, is not known. To ensure the quality and integrity of Finnish products during exportation, the exporter looks at quality control, traceability, proper certifications and accreditations, proper auditing, and continuous improvement. (Bartels 2024).

7.4 Analysis of the Fourth Respondent

The fourth research subject is Mr. Deji Olagunju, a timber business owner in Nigeria. Mr. Deji has been in the Timber business for quite a long time. We got his contact through one of our networks in the United Kingdom. His company imports timber from Germany, Italy, and Indonesia to offer a diverse range of high-quality wood products to meet customer needs.

Political challenges when importing timber into Nigeria include navigating a complex regulatory environment with strict regulations and bureaucratic procedures, leading to delays and increased costs for importers. Trade barriers or tariffs faced when importing timber include duties imposed by the Nigerian government, increasing the landed cost of products and making them less competitive with domestically sourced timber. Regulatory requirements and compliance issues in Nigeria are navigated by relying on a licensed customs broker to handle most of the paperwork and ensure compliance, guiding the company on necessary permits, certificates, and declarations needed for specific timber imports. (Olagunju 2024).

He mentioned that the fluctuations in global timber prices impact the business, but the company manages them by negotiating better deals with suppliers, buying in bulk when prices are low, sourcing timber from multiple countries, and staying informed about global market trends. To manage risks associated with currency exchange rate fluctuations, the company sources timber from countries with relatively stable currency exchange rates with the Naira, negotiates shorter payment terms with suppliers, and tries to minimize exposure to potential exchange rate fluctuations. (Olagunju 2024).

Cultural challenges with international suppliers are addressed by using standardized contracts that are clear, concise, and translated into the local language of the supplier to minimize the risk of misunderstandings regarding terms and conditions. (Olagunju 2024).

Primary logistical challenges encountered when importing timber include finding reliable and affordable partners, extensive paperwork involving permits, certificates, and customs declarations. He said to ensure the quality and integrity of timber products during transportation and import, the company arranges for pre-shipment inspections at the origin country to verify timber quality, species, and quantity before shipping. (Olagunju 2024).

Strategies employed to mitigate risks related to theft, piracy, or illegal logging during timber importation involve relying on the supplier's packing methods, he requests additional packing measures. Challenges in accessing finances or securing investment for timber importation activities in Nigeria include high interest rates from banks, substantial collateral requirements for loans, and limited alternative funding options due to corruption. (Olagunju 2024).

7.5 Analysis of the Fifth Respondent

The fifth respondent is Mr. Adeniyi Adewale, the sales manager for Woodpecker Nigeria Limited. He has been in the business for over seven years importing timber and wood products solely from its partner in Belgium and reselling in Nigeria. One of the researchers of the thesis has Mr. Adeniyi Adewale as a neighbor. (Adewale 2024).

The company imports timber only from its partner in Belgium and faces political challenges in Nigeria, including issues of corruption within government agencies, where bribery and extortion are common practices impacting the importation process. Fluctuations in global timber prices impact the company's importation and profitability, leading to decisions on absorbing the increase or passing it on to customers while balancing prices to stay competitive. To manage risks associated with currency exchange rate fluctuations, the company maintains domiciliary accounts in frequently used import currencies, allowing them to buy foreign currency when exchange rates are favorable and avoid last-minute conversions at potentially unfavorable rates. (Adewale 2024).

Cultural challenges with suppliers are not specifically mentioned, as the company has been dealing with one partner from Belgium for a while, and both parties understand the business. Primary logistical challenges encountered when importing timber include obtaining necessary permits, complex and time-consuming processes, and navigating various government agencies for dues, taxes, and potential bribes. (Adewale 2024).

To navigate regulatory requirements and compliance issues in Nigeria, the company has built relationships with key personnel within relevant regulatory agencies, allowing for open communication and clarification of regulations to ensure import compliance with all standards. To ensure the quality and integrity of timber products during transportation and import, the company has implemented robust packaging solutions specifically designed for timber transport to minimize the risk of damage during transport and harsh weather conditions. (Adewale 2024).

Strategies employed to mitigate risks related to theft, piracy, or illegal logging during timber importation involve implementing track and trace systems throughout the supply chain to monitor the movement of timber from origin to destination, ensuring it has not been tampered with or diverted. Challenges in accessing financing or securing investment for timber importation activities in Nigeria are managed by ensuring prompt payment after the goods shipped have been sold. (Adewale 2024).

7.6 Analysis of the Interviews

The respondents generally supported the notion that there are challenges that Finnish timber firms may encounter when entering the Nigerian market. However, the responses showed that while there are significant challenges for Finnish timber firms entering the Nigerian market, these challenges can be curtailed through careful planning, risk management, and strategic partnerships. For example, the fluctuations of the Nigerian Naira exchange rates can significantly impact export revenues and profitability. Finnish firms need to implement strategies to manage this risk, such as hedging or negotiating contracts in US dollars.

Bartels (2024) emphasized that trade policies, tariffs, import/export regulations, and infrastructure challenges in Nigeria can pose difficulties for Finnish firms. Lengthy and complex customs procedures can cause delays and increase costs. Working with experienced customs brokers and ensuring all documentation is in order can streamline the process. Staying informed about these changes and building relationships with relevant government agencies is crucial. Bribery and extortion within government agencies can impact the importation process. Finnish firms need to be aware of these risks and implement strategies to mitigate them, such as working with reputable customs brokers and ensuring proper documentation, Olagunju (2024) posits.

Bartels (2024) also supported that the Nigerian market is volatile, with fluctuating demand and competition. Finnish firms need to conduct thorough market research and develop flexible strategies to adapt to changing market conditions. Adewale (2024) mentioned that infrastructure challenges in Nigeria can lead to logistical difficulties, such as delays in transportation and increased costs. Partnering with reliable logistics providers and exploring alternative transportation options can help mitigate these challenges.

According to Bartels (2024) security concerns in Nigeria can be a deterrent for foreign companies. Implementing security measures and conducting thorough risk assessments are essential for ensuring the safety of personnel and assets. Navigating the complex regulatory environment in Nigeria can be challenging. Consulting with legal experts and staying informed about regulatory changes are essential. Ensuring compliance with all regulations and standards in both Finland and Nigeria can be complex and time-consuming. Investing in compliance management systems and seeking professional guidance can help ensure compliance.

Olagunju (2024) highlighted that finding reliable and affordable partners for transportation and logistics can be difficult. Building relationships with reputable companies and conducting thorough due diligence are crucial. Extensive paperwork involving permits, certificates, and customs declarations

can be time-consuming and complex. Investing in technology solutions for document management can improve efficiency and reduce errors.

8 CONCLUSION

Expanding into new markets presents both opportunities and challenges for Finnish timber firms, especially when considering venturing into the Nigerian market. Nigeria, one of the largest economies in Africa, offers a very high potential for growth and profitability.

The interviews conducted with the research subjects strongly support the notion that Finnish timber firms are likely to encounter significant challenges when entering the Nigerian market. The key challenges identified through the interviews include regulatory and bureaucratic challenges, cultural and operational differences, as well as logistical and supply chain challenges.

The interview with the Business Finland representative revealed the complexities of the regulatory environment in Nigeria, including lengthy and complex customs procedures, export restrictions, and other compliance requirements. The Nigerian timber importers also added that there is the challenge posed by the bureaucratic processes, corruption, and the need to navigate various government agencies to fulfil import documentation and tax obligations. They also highlighted the importance of understanding cultural differences and building strong relationships with local partners to succeed in the market.

Logistical issues such as those related to transportation, port operations, and supply chain coordination, were also identified as potential hurdles for Finnish timber firms planning export to Nigeria. The need to ensure the quality and integrity of timber products during the export processes was also emphasized as a key challenge.

The detailed insight provided by the interview respondents, both from the Finnish timber companies and the Nigerian importers, clearly show the several challenges that Finnish timber firms are likely to encounter when entering the Nigerian timber market. The interviews serve as a valuable source of primary data and highlight the critical factors that Finnish firms must address to succeed in this dynamic, inconsistent, and complex market.

In global marketplaces, not every market entry strategy works the same way. Direct exporting might be the best course of action in some situations, but creating a joint venture or forming partnerships might be more suitable in others. The choice of a market entry strategy is influenced by several elements, such as tariff rates, the extent of product modification necessary, and marketing and logistics expenses. (Itoje 2016.)

According to Eze, James, Inyang & Ntoh (2024) to penetrate the Nigerian market, the market entry mode that would be suited for this purpose would be Export. Exporting is one of the most significant strategies for global business expansion. Exporting is the commercialization and selling of goods produced in one country to customers in another. It is a common and traditional method for breaking into global markets. (PressBooks s.a.). Export is a viable option for enterprises to bring their goods or services to foreign consumers, enabling companies to estimate consumer demand, build brand visibility, and make alliances with local partners or customers. Exporting timber to Nigeria using the export market entrance mode is an effective strategy for enterprises seeking to capitalize on the country's demand for building components and wood products. To go further on the pros and

cons of using exporting as a market entry mechanism for timber exports to Nigeria, considering the advantages that this strategy provides in terms of market expansion and strategic positioning. Making exports helps firms in Nigeria to reach a larger client base, allowing companies to penetrate varied market sectors and respond to a variety of preferences and demands. Firms that sell timber to Nigeria can anticipate market demand, as well as gain a significant understanding of consumer preferences, patterns, and competitors, allowing them to make subsequent business choices and develop new goods.

Moreover, enterprises can establish an effective brand presence within the market by using the export market entry process for timber exports to Nigeria. Companies might differentiate themselves from competitors, raise consumer knowledge of their timber products, and foster brand loyalty among Nigerian consumers through efficient marketing and promotional strategies. As well as building a strong brand presence in Nigeria can boost sales, market share, and the timber industry's long-term viability by enhancing customer trust, credibility, and popularity. (Eze et al. 2024.)

Additionally, exporting timber to Nigeria allows enterprises to form strategic alliances with local stakeholders such as distributors, merchants, contractors, and government organizations. Companies that collaborate with major players in the Nigerian market can broaden their reach, gain access to new distribution channels, and leverage local experience and networks to drive company success. These collaborations not only simplify market access and expansion, but also promote innovation, knowledge exchange, and value creation, preparing exporters for success in Nigeria's competitive timber market. Overall, using exporting as a market entrance mechanism for timber exports to Nigeria provides enterprises with a comprehensive strategy for capitalizing on market possibilities, establishing a strong footing in the Nigerian market, and driving long-term growth and profitability. (Eze et al. 2024.)

However, it also comes with its fair share of risks, including political instability, economic volatility, and operational complexities. Thus, Finnish firms must adopt a strategic approach, prioritizing comprehensive risk assessments to understand and effectively mitigate these potential obstacles.

Political risk is a significant concern when entering Nigeria. The country experienced periods of political instability and governance challenges, which can impact business operations. Finnish timber firms must carefully analyze the current political landscape, including government policies, regulatory frameworks, and potential leadership changes. Developing contingency plans to adapt to different political scenarios and building relationships with key political stakeholders can help mitigate these types of risks. (Bartels 2024.)

Economic risks, such as currency fluctuations, inflation, and fluctuating oil prices, are inherent in the Nigerian market. Finnish timber firms should conduct thorough market research periodically to understand the economic dynamics and identify strategies to hedge against these risks. Diversifying revenue streams and monitoring macroeconomic indicators can help Finnish timber firms navigate economic uncertainties effectively. (Bartels 2024.)

Operational risks, including logistical challenges, and security concerns, also require careful consideration. Establishing robust supply chain management systems, investing in technology and logistics

infrastructure, and implementing security protocols are essential steps to mitigate operational risks in Nigeria. (Adewale 2024.)

Building strong partnerships with local stakeholders, government agencies, and business entities is critical for success in the Nigerian market. Collaborating with reputable local partners can provide valuable insights into the market dynamics, regulatory environment, and cultural nuances (Bartels, 2024). Additionally, establishing relationships with government officials and industry associations can help Finnish timber firms navigate bureaucratic processes and access support mechanisms.

Government support mechanisms, such as trade promotion initiatives and diplomatic channels, can also facilitate market entry for Finnish firms. Organizations like Business Finland offer valuable resources and assistance to Finnish companies looking to expand internationally. Leveraging these support mechanisms, together with the customs brokers can provide Finnish timber firms with the necessary guidance and support to overcome regulatory hurdles and establish a strong presence in the Nigerian market.

Entering the Nigerian market requires Finnish timber firms to adopt a proactive and strategic approach. By prioritizing comprehensive risk assessments, building strong partnerships, and leveraging government support mechanisms, Finnish companies can enhance their chances of success and establish a sustainable presence in Nigeria. Despite the challenges, the Nigerian market offers significant opportunities for growth and profitability for Finnish timber firms willing to navigate its complexities diligently.

9 DISCUSSION

The research has revealed several key findings and insights regarding the challenges and opportunities for Finnish timber firms entering the Nigerian market. To overcome these challenges, Finnish firms need to offer competitive prices and high-quality products. Additionally, corruption and bureaucracy pose significant challenges, requiring Finnish firms to adopt transparent and ethical business practices. Furthermore, cultural differences between Finland and Nigeria necessitate sensitivity and adaptation to local customs and business norms.

Despite these challenges, the research also highlighted promising opportunities for Finnish timber firms. The high demand for sustainable and high-quality wood products in Nigeria presents a significant opportunity for Finnish firms, renowned for their commitment to sustainable forestry practices and the production of high-quality timber.

9.1 Implications for Finnish Timber Firms

The Nigerian forestry sector faces significant challenges, including deforestation, illegal logging, and a lack of effective forest management practices. This poses risks for Finnish timber firms in terms of sustainability, quality control, and compliance with regulations.

To navigate these challenges, Finnish timber firms seeking to enter the Nigerian market should conduct thorough risk assessments to understand the local market dynamics, establish strong partnerships with local stakeholders and government agencies to gain insights and support, and leverage government assistance to address regulatory hurdles and market entry barriers. Finnish timber firms can increase their chances of success and sustainable operations in the Nigerian market by proactively addressing these issues.

Additionally, Finnish timber firms should consider the impact of currency fluctuations, trade policies, infrastructure limitations, and government regulations when exporting timber products to Nigeria. Ensuring quality control, traceability, proper certifications, and continuous improvement processes are essential to maintain the integrity of Finnish products during exportation.

Finnish timber firms should approach the Nigerian market with a mindset emphasizing risk assessment, partnership building, and government support to overcome challenges and capitalize on opportunities in the forestry sector. By adopting a proactive and informed approach, Finnish timber firms can establish a strong presence in Nigeria while promoting sustainable practices and responsible business operations.

9.2 Limitation of study

In the process of conducting this research, we had some constraints varying from the sample size, reliability of data, and access to information in Nigeria.

The sample size of Finnish timber firms and the Nigerian importers studied was relatively small. This means that the findings of the study may not be generalizable to the entire population of interest. Additionally, the sample may not have been fully representative of the population, which could introduce bias into the results.

Another limitation was the reliability of the data used in the study. The limited availability or reliability of data on Finnish timber firms' experiences in Nigeria was a challenge. The lack of prior research on this topic or a Finnish timber firm actively exporting to Nigeria meant that there was limited data available to draw upon. This affected the depth and accuracy of the analysis.

Also, accessing relevant information, such as market reports, industry data, and government regulations, was a limiting factor. The inconsistent regulatory environment in Nigeria meant that some data obtained were outdated or unreliable. This made it difficult to obtain a comprehensive understanding of the topic and to draw accurate conclusions.

9.3 Contribution to Knowledge

The research on the challenges Finnish timber firms might encounter when entering the Nigerian market has contributed to knowledge by shedding light on the specific obstacles and complexities involved in this market entry process. By conducting in-depth research and interviews with industry stakeholders, the study provides valuable insights into the risks, opportunities, and strategies relevant to Finnish timber firms considering expansion into Nigeria.

The research methodology employed combined qualitative research methods, primary and secondary data analysis, which has enriched the understanding of the practicalities of the Nigerian timber market and its implications for Finnish firms. The primary data collected through interviews with industry experts and stakeholders offers first-hand perspectives on the challenges faced by exporters and importers in the timber industry, providing a comprehensive view of the operational landscape.

Furthermore, the study's focus on issues such as corruption, Illegal logging, inflation, exchange rate, currency devaluation, enforcement of regulations and standards, import duties, and market dynamics in Nigeria, contributes to a better understanding of the practical challenges Finnish timber firms may encounter. By highlighting these key areas of concern, the study equips Finnish timber firms with valuable knowledge to develop informed strategies, establish sustainable operations, and navigate the complexities of the Nigerian market effectively.

The research findings and analysis contribute to expanding the knowledge based on the intricacies of international market entry for Finnish timber firms, particularly in the context of entering the challenging Nigerian market. The insights provided can serve as a valuable resource for decision-makers, researchers, and industry professionals seeking to enhance their understanding of cross-border business operations in the timber industry.

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APPENDIX 1: First Respondent (Varaa group)
VARAA GROUP

Does the firm export to any African country?

Respondent 1: The firm exports to four African countries now, namely Egypt, Algeria, Morocco, and Tunisia.

Is the firm willing to enter the Nigerian market?

Respondent 1: Yes, once we find a way to enter the market.

Could you discuss any political or geopolitical challenges that affect the company's timber exports?

Respondent 1: The situation with the Suez Canal is causing difficulties in transporting the goods to the buyers around the region, and everything happening on the waterway is all "Global Politics".

Do the fluctuations in global timber prices impact the firm's export operations and profitability?

Respondent 1: The firm adjusts the quantity that will be shipped accordingly.

How does the firm manage risks associated with currency exchange rate fluctuations and their impact on export revenues?

Respondent 1: The company hedges risk by dealing in the United States Dollar with other countries outside the Eurozone.

Has the company faced any challenges relating to the culture in the countries it exports to, in the form of language, labor rights, social disruptions, and so on?

Respondent 1: The company adheres to the strict regulations of the countries we export to by following the International Labour Organization (ILO) rights.

Are there any challenges of adhering to environmental regulations in the countries the firm exports to?

Respondent 1: The firm engages in sustainable practices from scratch, as it is encouraged by the country, and the timber produced by the firm is eco-friendly.

What are the primary logistical challenges faced when exporting timber to other countries?

Respondent 1: The timber is transported by ship and the situation at the Suez Canal is making business a bit difficult. Also, the pirates at sea sometimes disrupt transportation.

How does the firm ensure the quality and integrity of timber products during transportation and export?

Respondent 1: The timber is always in good condition from the place of export to the buyers' place, and the firm follows the DEFC and FCC certificates and ensures sustainability and quality.

What strategies does the firm employ to mitigate risks related to theft, piracy, or illegal logging during timber exports?

Respondent 1: The firm does not fall the trees illegally. We have talks with the forest owners - who could either be private individuals or the state - and then monitor the trees from when they are grown up to the time when they are ready to be harvested.

How does the firm handle documentation and paperwork requirements for timber exports, including customs declarations?

Respondent 1: The firm knows the documents required for shipping the products and gets them from the right sources. The Chamber of Commerce plays a vital role in this.

How does the firm address concerns related to deforestation and habitat destruction raised by environmental organizations or advocacy groups in the export markets?

Respondent 1: The country already encourages sustainable practices, and the regulations are strictly followed by all the parties involved.

APPENDIX 2: SECOND RESPONDENT (KOSKISEN GROUP)

KOSKISEN GROUP

Does the firm export to any African country?

Respondent 2: The firm exports to some African countries now, namely Egypt, Algeria, Tunisia, South Africa, Morocco, and once exported to Sudan.

Is the firm willing to enter the Nigerian market?

Respondent 2: Yes, once we find a way to get in.

Could you discuss any political or geopolitical challenges that affect the company's timber exports?

Respondent 2: The situation with Russia and Ukraine is causing fluctuations in the prices of almost everything around Europe, which is our new reality now. I hope it stops soon enough. Also at some point, the Suez Canal was closed, which caused some chaos around that time. It is all political.

Do the fluctuations in global timber prices impact the firm's export operations and profitability?

Respondent 2: The firm renegotiates terms with the buyer and agrees on new terms that favor the parties involved.

How does the firm manage risks associated with currency exchange rate fluctuations and their impact on export revenues?

Respondent 2: The company hedges risk by dealing in the United States Dollar with other countries outside the Eurozone, and the Euro is used fully for business with Japan.

Has the company faced any challenges relating to the culture in the countries it exports to, in the form of language, labor rights, social disruptions, and so on?

Respondent 2: The company follows individual country's rules and regulations. We had an issue with our agents in Israel sometime ago during the war when the army took about one-third of the working force from the factories to the frontline.

Are there any challenges in adhering to environmental regulations in the countries the firm exports to?

Respondent 2: None that I can think of.

What are the primary logistical challenges faced when exporting timber to other countries?

Respondent 2: Most of our *clients get* the products using FCA (Free Carrier) incoterms, what this means is that we are not *liable for whatever happens to the shipment while in transit to the buyers' destination. They provide the carrier, and the rest is all up to them to do.*

How does the firm ensure the quality and integrity of timber products during transportation and export?

Respondent 2: The firm does not have any forest of its own, so we buy from private forest owners, some from the government, and sometimes from churches. But generally, we try to ensure that the timber is in excellent condition. We try as much as possible to ensure that the trees have been grown sustainably.

What strategies does the firm employ to mitigate risks related to theft, piracy, or illegal logging during timber exports?

Respondent 2: The FCA incoterms help us avoid some risks associated with transporting the goods.

How does the firm handle documentation and paperwork requirements for timber exports, including customs declarations?

Respondent 2: Most of the countries we export our products to also try to protect the local producers of the products, thereby making some of the documentation a bit stressful to acquire.

How does the firm address deforestation and habitat destruction concerns raised by environmental organizations or advocacy groups in the export markets?

Respondent 2: As earlier mentioned, we do not own any of the forests, we buy the trees at maturity, but we try to ensure sustainable practices with the forest owners.

APPENDIX 3: THIRD RESPONDENT (BUSINESS FINLAND)

Business Finland

Are there Finnish companies in Nigeria?

Respondent 3: Yes, there are. Just to mention a few: Nokia, Wartsila, Vaisala.

What is the size of the largest Finnish company in Nigeria, if any?

Respondent 3: Nokia or Wartsila – Staff strength maybe 20 – 50 (on-site Staff).

Has any company exported timber to any African country, especially Nigeria?

Respondent 3: Not that I know of. Had interest from companies like Lunawood.

Have any Finnish timber firms shown interest in exporting to Nigeria?

Respondent 3: Lunawood.

Can you discuss any political or geopolitical challenges that affect the Finnish company's exports to Nigeria from Finland?

Respondent 3: Currency fluctuations in exchange rates between the Euro (used in Finland) and the Nigerian Naira can impact the competitiveness of Finnish exports in the Nigerian market.

Changes in trade policies, tariffs, or import/export regulations can directly impact the cost, feasibility, and ease of doing business for both countries. Staying abreast with this regulation can ensure compliance with the rules.

Nigeria faces significant infrastructure challenges, including inadequate transportation networks, unreliable power supply, and port congestion.

Do you know any measures that companies use to manage risks associated with currency exchange rate fluctuations and their impact on export revenues?

Respondent 3: Netting: Consolidating payables and receivables in a single currency can help offset currency fluctuations and reduce exposure.

Contractual Agreements: Including clauses in contracts that allow for adjustments based on exchange rate movements can help mitigate risk for both parties involved in international transactions.

Monitoring and Forecasting: monitoring exchange rate movements and using forecasts to anticipate potential fluctuations can help companies make informed decisions and take timely hedging actions.

Has any of the Finnish firms in Nigeria complained of the Socio-cultural challenges faced in Africa and Nigeria in recent years? In the form of language, labor rights, social disruptions, etc.

Respondent 3: General encounters like Market Volatility, Corruption, Infrastructure, and Security concerns.

What trade barriers or tariffs can Finnish Timber firms face when exporting timber to Africa and Nigeria?

Respondent 3: Lengthy and complex customs procedures can delay shipments and increase costs for Finnish timber exporters. Some African countries may impose export restrictions on timber products to conserve natural resources or promote local processing industries. Exchange rate fluctuations can affect the competitiveness of Finnish timber exports. There is also the challenge of Infrastructure.

Can you briefly discuss the bilateral agreement between Finland and Nigeria and how they might affect the importation of Timber to Nigeria?

Respondent 3: I am afraid, I do not know the specific bilateral agreement they have between Finland and Nigeria on the importation of Timber, but I believe they would require standard regulations such as Environmental Regulations, Investment and technology transfer, Quality standards, and Quotas.

What other impeding factors affect the importation of Finnish products or Finnish Timber products to Nigeria?

Respondent 3: Currency fluctuation, Trade policy and regulations, Infrastructure, and Government policies.

What strategies does the Finnish government employ to support Finnish firms in the diaspora, especially in mitigating risks related to theft, piracy, or sustainability during exports?

Respondent 3: Sorry, I do not have the answer to that.

How do Finnish companies navigate regulatory requirements and compliance issues in the countries where they export timber, especially Nigeria?

Respondent 3: It is always advised that Finnish companies conduct thorough risk assessments, develop robust contingency plans, and cultivate strong partnerships with local stakeholders in Nigeria. Additionally, leveraging government support, such as trade promotion initiatives and diplomatic channels, can help address some of these challenges and seize opportunities in the Nigerian market.

Does the Finnish government assist in handling documentation and paperwork requirements for Finnish products to Nigeria, including customs declarations?

Respondent 3: Sorry, I do not have the answer to that.

How do you ensure the quality and integrity of Finnish products during exportation?

Respondent: The exporter looks at Quality control, traceability, proper certifications and accreditations, proper auditing, and continuous improvement.

APPENDIX 4: FOURTH RESPONDENT (DEJI ADEGUNJU)

Mr Deji Olagunju, Nigerian Business owner/dealer.

Do you import timber from other countries?

Respondent 4: Yes, we do import timber from other countries. We source timber mainly from Germany and Italy, because of their high-quality wood products, ensuring that we can offer a diverse range of options to meet the needs of our customers. We also bought timber from Indonesia about twice.

Can you discuss any political challenge that you face when importing timber into Nigeria?

Respondent 4: Well, one of the main political challenges we face when importing timber into Nigeria is navigating the complex regulatory environment. The government often imposes strict regulations and bureaucratic procedures which lead to delays and increased costs for us importers.

How do the fluctuations in global timber prices impact your importation and profitability?

Respondent 4: Global timber price fluctuations impact the business, but we have some strategies to manage them. We can negotiate better deals with suppliers by buying in bulk when prices are low. This helps us stockpile the timber for periods of higher global prices, ensuring a steady supply and protecting the company's profit margins. Also, we source timber from multiple countries to avoid relying on a single market. This way, if prices rise in one region, we can shift purchases to a more favorable location. The key is to be proactive and stay informed about global market trends.

How do you manage risks associated with currency exchange rate fluctuations and their impact on your importation into Nigeria?

Respondent 4: We try to source timber from countries with a relatively stable currency exchange rate with the Naira. This helps us minimize the immediate risk. We negotiate shorter payment terms with suppliers whenever possible. This reduces the amount of time we are exposed to potential exchange rate fluctuations.

Are there any cultural challenges your suppliers from other countries face when doing business with you?

Respondent 4: Cultural challenges are something we consider when working with international suppliers. We use standardized contracts that are clear and concise and have them translated into the local language of the supplier. This minimizes the risk of misunderstandings regarding terms and conditions.

What are the primary logistical challenges your company encounters when importing timber from other countries?

Respondent 4: We rely on freight forwarders and customs brokers. Finding reliable and affordable partners is crucial, but it can be time-consuming. Also, the paperwork involved in international timber imports is extensive. Permits, certificates, and customs declarations all need to be completed accurately and on time. Any errors can lead to delays and additional costs.

What trade barriers or tariffs does your company face when importing timber from other countries?

Respondent 4: The Nigerian government imposes duties on imported timber, which increases the landed cost of the products. This makes it less competitive with domestically sourced timber, especially if the duty rate is high. Sometimes, the taxes are also very heavy.

How do you navigate regulatory requirements and compliance issues in Nigeria when you import timber?

Respondent 4: When we started, we could not keep up with the inconsistent regulations and standards; because of the complexities and inconsistency of regulations, we now have to rely on a licensed customs broker to handle most of the paperwork and ensure compliance, as said earlier. They can guide us on the necessary permits, certificates, and declarations needed for the specific timber import.

How do you ensure the quality and integrity of timber products during transportation and import?

Respondent 4: Whenever possible, we arrange for a pre-shipment inspection at the origin country. This inspection verifies the timber quality, species, and quantity before it is shipped, reducing the risk of receiving damaged or non-compliant wood.

What strategies do you employ to mitigate risks related to theft, piracy, or illegal logging during timber importation?

Respondent 4: We rely on the supplier's packing methods, hoping they use adequate protection to minimize damage during transport. Sometimes, we might request additional packing measures at an extra cost. As for the illegal loggers, the government is not doing anything about it, the loggers sell those logs in the black market, which in turn affects our sales and profits.

What challenges do you encounter in accessing financing or securing investment for your timber importation activities in Nigeria?

Respondent 4: The interest rates from banks can be very high. This significantly increases the operational costs and reduces profit margins. Also, banks often require substantial collateral for loans, which can be difficult for us to provide sometimes. The other alternative funding

options like venture capital or BOI (Bank of Industries) are corrupt and only give funding to their favorites.

APPENDIX 5: FIFTH RESPONDENT (ADENIYI ADEWALE)

Mr. Adeniyi Adewale, The sales manager for Woodpecker Nigeria Limited.

Do you import timber from other countries?

Respondent 5: Yes, only from our partner in Belgium.

Can you discuss any political challenge that you face when importing timber into Nigeria?

Respondent 5: Importing timber into Nigeria involves several political challenges, one of which is the issue of corruption within government agencies. Bribery and extortion are unfortunately common practices within the agencies, and this has impacted the importation process.

How do the fluctuations in global timber prices impact your importation and profitability?

Respondent 5: We just have to decide whether to absorb the increase and risk lower profits, or pass it on to customers, potentially losing sales and sometimes the customers. We try to find a way to balance the prices to stay competitive. Everyone knows what is happening all over the world right now, with the prices of everything going upwards.

How do you manage risks associated with currency exchange rate fluctuations and their impact on your importation into Nigeria?

Respondent 5: The company maintains domiciliary accounts in currencies that are frequently used for imports. This allows us to buy foreign currency when the exchange rates are favorable and avoid last-minute conversions at a potentially unfavorable rate.

Are there any cultural challenges your suppliers from other countries face when doing business with you?

Respondent 5: I am not sure about that. We have just one partner from Belgium, and we have been dealing for a while now. Both parties understand the business.

What are the primary logistical challenges your company encounters when importing timber from other countries?

Respondent 5: We have a team of experienced logistics professionals who handle all aspects of import operations. Specifically, because we have just one partner from Belgium, the importation process has been mastered over a long period. They can negotiate better rates with freight forwarders, ensure proper documentation, and track shipments in real-time. We have built strong relationships with reliable freight forwarders and customs brokers over the years. This ensures smooth communication, efficient processes, and minimizes the risk of delays or errors for us.

What trade barriers or tariffs does your company face when importing timber from other countries?

Respondent 5: Obtaining the necessary permits to import timber is a challenge. The process can be complex and time-consuming, requiring us to navigate various government agencies where dues, taxes, and bribes will be asked.

How do you navigate regulatory requirements and compliance issues in Nigeria when you import timber?

Respondent 5: We have built relationships with key personnel within relevant regulatory agencies. This allows for open communication and clarification of regulations, helping us ensure our imports comply with all standards.

How do you ensure the quality and integrity of timber products during transportation and import?

Respondent 5: We implemented robust packaging solutions specifically designed for timber transport. This minimizes the risk of damage during transport and harsh weather conditions.

What strategies do you employ to mitigate risks related to theft, piracy, or illegal logging during timber importation?

Respondent 5: We implement track and trace systems throughout the supply chain. This allows us to monitor the movement of timber from origin to destination, ensuring it has not been tampered with or diverted.

What challenges do you encounter in accessing financing or securing investment for your timber importation activities in Nigeria?

Respondent 5: We just try to ensure prompt payment after the goods shipped have been sold.