



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 7/18/2001

GAIN Report #CH1032

China, Peoples Republic of

Solid Wood Products

Annual

2001

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Report Highlights:

Imports of forest products continue to grow, particularly for logs and lumber.

Housing reform and China's impending entry into the WTO ensure that demand will remain strong. Prospects for processed products are also excellent, though competition from other exporting countries and from China's own wood processing industry will be tough.

Includes PSD changes: Yes
Includes Trade Matrix: No
Annual Report
Beijing [CH1], CH

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Production

Forest Situation/Outlook

According to the most recent census on forest inventory, China's total forest area is 159 million hectares with a coverage rate of 16.55%. The State Forestry Administration (SFA) has set a forest coverage target of 18.2% by the end of the tenth five-year plan (2001-2005). Plantation forest area reached 47 million hectares, ranked number one in the world.

China's forests are almost evenly divided between coniferous and broad-leafed forests. The largest forests are in the Northeast and Inner Mongolia; the ten southern provinces; and Sichuan and Yunnan provinces. Southern forests are mainly lowland rain forests and masson forests. In the north the majority of forests are mixed coniferous. Commercially viable species include Chinese oak, Masson pine, Chinese fir, birch, larch, and poplar. Masson forests and Chinese fir forests account for 23.5% of total forest area and 10.2% of total stock volume. Poplar and Chinese fir forests are typically plantation forests. The structural imbalance in China's forest resources is obvious. The ratio of hardwood to softwood plantation is about three to seven, resulting in a long-run shortage of hardwood timber, particularly for large-diameter high quality hardwood species.

The State Council has approved six key forestry projects early this year. They are the Natural Forest Protection Program (NFPP), the construction of three shelter belts in the north and shelter belts in the middle and lower reaches of Yangtze River, the Grain for Green Program, sand control programs in Beijing and the surrounding areas, wildlife protection and nature conservation, and construction of commercial forest bases by planting fast growing species. Six offices designed to be in charge of above mentioned six projects have been established within the SFA.

China has made remarkable strides in raising issues of sustainable forest management at the highest levels of the government. After a 2-year trial project for NFPP, a 10-year campaign to crack down on illegal logging and save the nation's forests was announced by the State Forestry Bureau at the end of 2000. The government will set aside 96.2 billion rmb (\$11.6 billion) to fund the scheme, which will involve 17 provinces, autonomous regions and municipalities along the Yellow and Yangtze rivers, where runaway logging has caused soil erosion, desertification and flooding. The NFPP could have a significant positive impact on deforestation, biodiversity, water quality and soil erosion. This ambitious program is not free from challenges. Tree planting campaigns and restrictions on logging will be fundamental to the project's success, but enforcing the new measures will not be easy. Resettlement of unemployed forestry workers has made some progress by developing employment opportunities in forest regeneration and nature-based tourism.

The Chinese government has taken a serious step towards promoting practice of sustainable forest management, establishing a task force for forest certification in Beijing on May 15. The task force consists of representatives and experts from government agencies, donors, NGOs, research institutes, the wood processing industry, wood products management units, and the press. It aims to support and promote forest certification in China. The Task Force is to address the need for a well thought-out policy framework to achieve goals of environmentally and socially sustainable development in China's western regions.

The domestic timber supply continued to drop in 2000 due the enforcement of the NFPP. According to the SFA, production of commercial timber was 47.23 million cubic meters in 2000, down 5.13 million cubic meters over 1999. Industry sources have indicated that the real timber production number is almost double official levels due to large scale over-quota logging. Timber production in 2001 is forecast at 40 million cubic meters.

The Chinese government has strengthened its efforts to control illegal logging. The State Council in May discussed, and passed in principle, amendments to Article 342 and Article 410 of the Criminal Law (draft) of China. These amendments clearly establish the illegality and stipulate the punishments for illegal logging and other criminal activities involved in deforestation. This is an important step since, under current law, no criminal responsibility can be established. In recent years, some local governments, work units or individuals have been engaged in the destruction of forests for land reclamation or have converted forested land for other uses. After necessary revisions the legislation will be submitted by the State Council to the National People's Congress for review. Some local governments have also taken measures to control illegal cutting, particularly in NFPP regions. For example, in Chongqing, about 1,000 wood processing mills have been closed during the last three years, and thirty-eight timber trading markets in the forest region were shut down.

New logging quotas have been approved by the State Council and will be used for the tenth five-year plan. Logging permits are required for timber harvesting in state-owned forest regions. These permits used to be issued by local forestry bureaus. Beginning in January 2001, however, standardized logging permits, authorized by the central government's SFA will be used in key state-owned forest regions.

In March of 2000, the Chinese government initiated action plans for the Grain for Green Project. 174 counties in 13 provinces along the upper Yangtze and Yellow rivers were assigned as pilot projects. Under this project, local governments provide grain to those farmers who convert a portion of their farmland to forest or grassland. The standard is 100kg per mu (1,500 kg./hectare) annually for five years. The central government also provides compensation in cash at a level of 20 rmb/mu (\$36/ha) every year for five years. Statistics on the results of Grain for Green program are encouraging. According to the State Land Resources Bureau, a total of 763 thousand hectares of farmland were converted to forest or grassland in 2000. China will continue the pilot projects this year. The State Council has approved projects in 20 provinces and regions, with 36 new counties being added for this year. The target of the pilot project is to convert over 330 thousand ha. of additional farmland to forest or grassland, and to transform 493 million mu of wastelands and hills to forest or grassland. The government will invest 3.6 billion rmb (\$435 million) and 1.9 million MT of grain in the project this year. Some experts are concerned over the problems associated with this program, however. More cash forests have been established than planned due to pursuit of short-term economic benefits. In addition, corruption amongst local officials has prevented subsidies from reaching farmers. This has heightened farmers' concerns over the long-term availability of these subsidies.

Dwindling domestic timber supplies have caused China to begin looking overseas for additional resources. In 2000, China signed a contract with a central African country to harvest 250,000 ha of forest resources in the region. Additional forest resources, such as Eucalyptus plantation bases in New Zealand, are sought and will continue to be developed to ease the pressure of domestic wood supply. Ex-loggers from China's Northeast forest regions have also found work cutting timber in Russia.

The SFA announced that China plans to encourage private investment in its forest industry, long dominated by state-owned companies. Projects related to commercial timber forests will be open to individuals and private companies. In areas ready for commercial timber plantation, private investors will be able to obtain usage rights for the land by contracting or leasing them. The government may also transfer such rights from other agencies to private companies or individuals, or distribute them to the private sector free of charge. The government will also extend the validity of land leases, which could be extended to as long as 50 or 70 years.

After obtaining usage rights for forest lands, private foresters will be allowed to manage their lands freely, provided they do not alter the land use (i.e., develop the land) or leave the land idle. The Chinese government is also interested in joint investment by both private investors and government agencies in some state-owned forests. Development of protected forests is financed primarily by the government.

The Chinese government has also established a policy that requires pulp and paper mills to establish their own timber supply bases. Establishing raw material bases for paper production by planting fast growing species is considered to be the best solution for the paper industry. Asian Pulp and Paper invested about one billion US dollars in pulp and paper production in Southern China in 2000. Soon Hua Seng Group of Thailand and Sino-Wood Partner Co. Ltd. from Hong Kong are also very active in investing in plantations in Southern China.

Forest Products Strategic Indicator Table

FOREST AREA			
Country:	2000	2001	2002
Report Year:			
Total Land Area (million hectares)	960	960	960
Total Forest Area (million hectares)	159	162	164
--of which, Commercial ('000 hectares)	99,395	101,085	103,106
----of commercial, tropical hardwood ('000 hectares)	4,771	4,852	4,949
----of commercial, temperate hardwood ('000 hectares)	42,939	43,669	44,542
----of commercial, softwood ('000 hectares)	51,685	52,564	53,615
Forest Type			
--of which, virgin ('000 hectares)	11,233	11,303	11,209
--of which, plantation ('000 hectares)	46,667	48,972	51,911
--of which, other commercial (regrowth) ('000 hectares)	101,100	101,725	100,880
Total Volume of Standing Timber (thousand cubic meters)	12,487,864	12,945,389	13,333,750
--of which, Commercial Timber ('000 cum)	7,206,188	7,458,405	7,783,179
Annual Timber Removal ('000 cum)	370,752	400,383	432,413
Annual Timber Growth ('000 cum)	457,525	480,401	504,421
Annual Allowable Cut ('000 cum)	200,490	223,100	189,638

Solid Wood Products Situation/Outlook

Industry sources estimate that China's annual domestic timber demand is around 260-280 million cubic meters. Since the actual supply is around 142 million cubic meters, the annual shortfall of commercial timber is estimated at between 33 to 43 million cubic meters. The most effective and practical way to solve this problem is to import the difference. To this end, China has been trying to establish and maintain stable importing sources and channels. To import softwood products, Russia continues to be the preferred source, with New Zealand providing the preferred alternative, as prices for New Zealand plantation-grown Monterey pine are very competitive. Africa and South America are also major softwood suppliers.

Imports of roundwood in 2000 reached a record high of 13.6 million cubic meters, a 34% jump over 1999. Russia was still the largest exporter of softwood logs. During 2000, logs imported from Russia increased by nearly 40% over 1999. Lumber imports have also increased by over 30%. A large jump in tropical lumber imports from Indonesia and Cameroon were the primary contributor to this increase. China Customs data indicate that the rate of increase in wood products imports are declining this year. Nevertheless, Russia will continue to be the leader in softwood exports to China. Customs data show that imports of logs from Russia

amounted to 2.9 million cubic meters during the first four months of 2001, accounting for 57% of China's total log imports.

To reduce its dependence on imported timber, the Chinese government is encouraging the plantation of fast-growing species and increased utilization of small-diameter timber. At the same time, the forest industry is undergoing a major restructuring. Hardest hit is the primary wood processing industry. Many sawmills are facing financial difficulties and will close down. Sawmills located in key forest regions are not allowed to operate at all, in order to ensure the implementation of the NFPP. In 2000, lumber production dropped to 6.3 million cubic meters, a fall of 60% compared to 1999. On the other hand, the further processed wood products industry is growing. Production of wood-based panels increased by 33% to a total of 20 million cubic meters in 2000. Plywood experienced the fastest growth among wood-based panels with an annual growth rate of 36% in 2000. Even this industry is expected to undergo some changes, as smaller mills are closed in favor of larger, more profitable mills. In the past, the Chinese plywood industry has been dominated by low-grade plywood production. The industry now aims to increase the production of higher-grade plywood, in response to growing consumer demand. OSB (oriented strand board) production is also expected to grow quickly. China has 6.7 million ha of poplar plantations, the largest in the world, and poplar is considered a good material for OSB. In China, there are currently 108 OSB plants, 40 of which are now using imported equipment.

Chinese forestry enterprises in areas affected by the logging ban are turning to offshore investments as a means to secure access to logs, lumber and pulp. At this point, it is very difficult to keep track of which companies have overseas investments. Industry sources have noted that about 7 to 8 forest enterprises in Northeast China are currently logging timber in Russia. Most of this timber will be sent to China for sale. The standard practice in this case is for Chinese companies to gain permission from the Russian government and then send their loggers to the designated region to cut timber. For example, the Daxinganling forest group in Heilongjiang Province has signed \$4.72 million in contracts with Russia to log Russian virgin forests for three years. The Russian side provides forest lands and logging facilities, while the Chinese party provides labor. The two sides in this agreement have produced 25,000 cubic meters of logs from last winter to this March. Although this kind of cooperation benefits both sides, environmentalists have shown great concern, claiming that these activities will destroy Russia's virgin forests and lead to environmental degradation.

Wood Products Subsidies Strategic Indicator Table

WOOD PRODUCTS SUBSIDIES	2000	2001	2002
Year of Report			
Total Solid Wood Export Subsidy Outlay (\$US million)	N/A		
Is there a ban on the export of logs, lumber, or veneer?	Partial*	Partial*	N/A
Are there export taxes (yes/no)?	No		
Total Wood Production Subsidy (\$US million)	N/A		
Scope (thousands of hectares)			
Are there other wood products export expansion activities?	N/A	N/A	N/A
* Export license is required only when exporting logs and some sawnwood (item 44069000).			

Trade

Overview/Outlook

Forest products have become one of China's most important import items, and growth prospects for the future are very strong. Demand for forest products is being driven by a rapidly growing economy, and channeled into imports by the reductions in domestic timber supplies that were triggered by the logging ban. Recognizing the importance of imports to the success of both the logging ban and efforts to improve housing, the government has applied a zero tariff on logs and lumber since 1999. The government has also removed limits on the number of importers entitled to import forest products. Every single entity which has importing and exporting authority is now allowed to import forest products. Industry sources indicate that there are a total of 2,923 enterprises involved in importing timber, including state owned enterprises, joint ventures, wood processing facilities, foreign corporations, and private dealers. More than half of these companies are located in coastal regions like Guangdong and Shanghai, followed by provinces in the northeast and southwest provinces. Importers located in the northeast and southwest are mostly involved in border trade with Russia and Vietnam, Myanmar and other Southeast Asian countries, respectively. The Chinese government also plans to implement flexible policies in the next three years to relax all restrictions on foreign trade rights. In view of this plan, there will be a large number of new enterprises involved in the timber import business in the future.

During 2000 imports of roundwood, sawnwood, plywood, and veneer reached 13.61 million cubic meters, 3.575 million cubic meters, 593,000 cubic meters, and 487,116 MT, respectively. Imports of logs have been rising in recent years. The variety and origin of log imports have also undergone a change. North American softwood species such as Douglas fir, spruce, and western hemlock used to dominate China's log imports, and were imported primarily to meet the need of China's construction industry. In 2000, however, China imported different types of timber from 86 different countries. Softwood log imports are now dominated by Russia. Softwood species such as Korean pine, white pine, and Chinese larch from Russia are similar to species grown in state-owned forests of northeast China. Russian logs also have the advantage of low price, large diameter, and good quality. The proportion of softwood logs in total log imports has risen from 45% in 1999 to 47% in 2000, mirroring growing demand from construction industry. Import data for the first four months show a continuous increase in imports of softwood logs. Part of this increased demand is linked to government investments in infrastructure, particularly for development of China's western provinces.

Imports of hardwood logs from species such as beech, cherry, oak, maple, teak and a number of other tropical species have increased due to growing demand from the decoration, furniture manufacturing and plywood industries. Imports of tropical hardwood logs from Southeast Asia and Africa have been particularly strong. Lumber imports have increased steadily with more variety and greater value added, due the changing decoration markets in China. For example, imported high-end lumber for decoration purposes is now generally kiln dried and processed as consumers prefer it that way.

During the first four months of 2001, the growth in roundwood imports slackened somewhat, growing by 26.7% over the same period last year. Softwood log imports continued to grow at a rate of 34.7% in volume, with a decline in imports of treated logs and European beech logs accounting for the overall drop in growth rates. Imports of European beech dropped by 24.2% over the same time last year. This decline has been attributed to overbuying last year. Strong wind storms in Europe last year made a large volume of beech wood available at a low price. Importers took advantage of the low prices to build up substantial stocks. As a result, imports of beech are expected to fall this year as importers work through these stocks. In addition, timber from domestic plantations of poplar and Chinese fir will become available for harvest.

Lumber imports increased 5.4% during the first four months of 2001. Imports of softwood lumber experienced a jump of 17.5% during the first four months, while imports of beech lumber were down by 41%, following the same trend as beech log imports, noted above. Imports of plywood continued to drop at a rate of 12%, matching last year's decline. This is attributed to the continued rapid growth in the domestic plywood industry. However,

imports of high-quality plywood for interior decoration are likely to grow.

Exports of roundwood, lumber, veneer, and plywood reached 27,000 cubic meters, 423,000 cubic meters, 40,072 MT and 364,000 cubic meters, respectively. Preliminary Customs data for the first four months of this year shows that log exports fell by 34% compared to the same time last year, while exports of lumber and plywood experienced a growth rate of 25% and 53%, respectively. This trend is consistent with government efforts to restrict log exports and encourage exports of value-added products. The Chinese plywood industry has been very aggressive in increasing market share in Japan. Industry sources revealed that Japanese importers imported 2.4 mm thick plywood for trial use early this year, China's first exports of plywood into this market. The same sources also indicated that Japanese importers are interested in thin and thick plywood products that are not currently produced in Japan. Traders were particularly interested in the low prices offered by Chinese manufacturers.

In response to claims by AQSIQ that over 250 species of forest pests had been detected in imported logs over the past four years, the Chinese government has issued an announcement that pest-free certificates are required for all imports of logs. The announcement took effect on July 1. (Please refer to our voluntary report CH1011 for details). However, there have been a number of complications. In response to questions about the treatment schedule for imported logs, AQSIQ stated that it would address the issue in a supplementary circular to be issued in April. This circular has yet to be published, although AQSIQ has indicated that current treatments for logs from North America is acceptable. This has done little to alleviate concern for both importers and exporters. Domestic industry sources are now very concerned about the impact that this announcement will have on imports of logs from Russia. Most of these logs enter through border trade, making the quarantine process more difficult than for logs arriving at a port. Russian exporters have also claimed that the Russian timber is closely related to timber produced in China's northeastern provinces. Given the confusions, it is still difficult to assess the impact of this rule on trade. One thing that does appear certain is the need for a quarantine certificate from the country of origin. Industry sources have indicated that port officials were fully prepared and equipped to enforce the new regulation as of the July 1 effective date. Reports from the China Timber Import and Export Corp and other sources indicate that the major ports are quiet as most exporters and importers are taking wait-and see attitude.

Competition

Rapid growth in demand, combined with the Chinese government's plan to relax restrictions on trading rights for forest products make China an outstanding market opportunity. This fact has not been lost on the prospective suppliers, and competition in the Chinese market has already begun to intensify.

Russia will continue to dominate the market for softwood logs. The similarity to Chinese species and low prices offer enormous advantages. In addition, the Russian government is now promoting lumber exports by reducing export duties. The Sino-Russian agreement on cooperation has turned on the green light for Chinese loggers to move their facilities to Russia. Chinese policy also favors imports from Russia, by providing favorable tax treatment to border trade, charging only half the normal VAT. Although this preferential tax policy is likely to be abolished after China enters the WTO, all the other factors will continue to offer Russian logs a large advantage. Chinese business practices also favor Russian timber: Suifenhe, the largest gateway for timber imports in China has established a timber exchange market for Russian timber. It is rumored that there are more than 400 timber dealers in Suifenhe, and about 10,000 cubic meters of timber are distributed to interior provinces like Sichuan and Shaanxi every day.

The joint office of Quebec and British Columbia, Canada, in Shanghai has been actively promoting Canadian hardwood and value-added products since last spring. The Canadian Council of Forest Industries (COFI) has

been very active in the Chinese market, particularly in promoting wood frame housing. Its activities include conducting a series of seminars, building several demonstration structures in different locations throughout China, and being involved in revising Chinese building codes. In this area, their activities rely on the same approach as AFPA has pursued, and these activities have, in many respects, been complementary. COFI and Forintek Canada Corp. have been working intensively on the GBJ-5 'Timber Structural Design' codes to incorporate details on platform frame construction dealing with fire provisions, shearwalls and wood design properties. COFI also sponsored a mission of key Chinese building code officials to Canada in February 2001. The Ministry of Construction in China and the Canadian Mortgage and Housing Corporation have signed a MOU to cooperate on housing technology related issues. Recognizing their common interest in updating China's construction codes, AFPA and COFI, along with the representatives from the industry in New Zealand are coordinating their activities in this area.

New Zealand is the second largest exporter of softwood logs to China. New Zealand pine is very competitive in China's market, particularly in terms of price. The New Zealand timber industry no longer has an in-country representative in China, however, following the closure of the Wood New Zealand office in Shanghai earlier this year. Large enterprises in China are seeking to invest in New Zealand plantation forests. For example, CITIC has invested in a pine plantation which provides 5 million cubic meters of timber, although this investment is now reported to be in receivership. A new MOU was signed early this year between the New Zealand government and the SFA to strengthen bilateral cooperation in forest products sector.

The Malaysian Timber Council set up an office in Shanghai in 1999. It is currently very active in promoting the use of Malaysian timber in interior decoration. The forthcoming seminar organized by the Malaysia Timber Council will bring hundreds of Malaysian timber producers to Guangzhou, a large market for imported timber in China.

Recently, 10 Brazilian wood processing mills jointly held a promotional conference, which received positive responses from hundreds of Chinese buyers in southeast coastal regions. This fact indicates that Chinese importers are interested in South American rain forests. According to the press, Brazilian exporters brought all samples in the form of lumber and floors instead of logs, in order to reduce the possibility of a reputation crisis caused by inconsistency between samples and traded goods. Nevertheless, in order to reduce risks in international and domestic markets as well as in transportation, the basic rule that Chinese importers are following is to import many batches in small quantities, and a diversified variety of products.

F&J Group, one of Europe's top lumber companies, announced on Feb. 20 that it would invest heavily to develop the Chinese market. With branches in Beijing, Shanghai, Guangzhou and Xi'an, the company will seek to create a market for its wood products in China. F&J began selling its premium wood and wood products to China's construction material, furniture manufacturing and interior-decorating industries on a trial basis in 1999. F&J expects to increase shipments of top-quality construction lumber and floor boards produced by the European lumber industry.

In 2000, China imported 0.88 million cubic meters of European beech logs and 0.58 million cubic meters of European beech lumber, up significantly over 1999, but the market demand and the price structures for European beech in China have now dramatically changed. A great number of importers lined up to import European beech last year, which led large stocks and is now driving prices down. Consumers have also diversified their tastes in wood species and more varieties of woods are now being imported to meet their needs. At the beginning of 2000, the price for high-grade European beech logs was 10,000 rmb/cubic meter (\$1,209) but prices have been coming down as surplus stocks are being liquidated. Current prices are as low as 6,000-8,000 rmb/cubic meter. Beech logs for plywood are now reported as moving at about 5,000 rmb/cubic meter.

The government's crackdown on smuggling has proved surprisingly long-lived, with timber smuggling declining over the past couple years. Smuggling of lumber through sea shipments has been reduced as a result of the government's implementation of a price examination system for imported timber products beginning in 1997. Officials have also recently begun to crack down on the practice of relabeling shipments, particularly in South China. Overland smuggling of logs from bordering countries, however, is still hard to quantify. Large number of logs are moved along the borders between Heilongjiang province and Russia, and Yunnan province and Myanmar. While official import data showed that log imports from Russia were 5.93 million cubic meters in 2000, one source indicated that more than 11 million cubic meters of logs were illegally cut and exported from Russia. Official data showed that Myanmar supplies less than 5 percent of the China log imports, or 582,719 cubic meters in 2000, but few in the Myanmar-Yunnan border area believe those numbers. Industry sources claim the number is about double official estimates. Timber company officials estimate that each year more than 350,000 cubic meters of timber move through Pianma alone, a small town on the far edge of Yunnan province. Large amounts also come into China from Myanmar at towns farther south along the border.

Market Development Strategies

China's demand for timber continues to grow along with development in construction sector and interior decoration. However, timber consumption for doors, windows, and packaging is expected to shrink as a result of the growing use of wood substitutes. Solid wood imports (including logs and lumber, etc.) are forecast at more than 20 million cubic meters this year.

Large and small timber exporters may find easy access to the Chinese market through the timber markets throughout the country. In the north, a new timber exchange market was established in the duty-free zone of Tianjin early this year. All timber products imported into this market are free from import-related taxes and VAT. The Beijing National Timber Exchange Center, while benefitting from good facilities and experienced staff, has suffered as a result of its location far from the major business districts. The Exchange plans to relocate in the near future. The largest forest products wholesale market is the well-established Furen market in Shanghai. The second largest is the Jiaxing Timber Trade Market in Zhejiang Province, which opened to the public in March. This market has a timber import port (Zhapu) and a large timber processing area that is still under construction. The Jiaxing Timber market will become a center for imports, storage, processing, and wholesale marketing of timber. Xingye Timber & Plywood Market in Dongguan, Guangdong Province, opened for business on December 1999. It is considered to be the largest timber distribution center in South China. About 60% of timber and plywood in this market is imported. Xingye is actively seeking to attract foreign traders into the market place.

Construction Sector

Overview

According to statistics from the Center for Housing Industrialization, Ministry of Construction (MOC), China completes 1.2 billion square meters of housing every year. Urban residential housing spaces account for about 500 million square meters. Overall, the government has set a construction target of 2.7 billion square meters of urban housing and 3 billion square meters of rural housing during the tenth five-year plan. Per capita living space was 20 square meters (construction basis) in 2000, according to industry sources. The MOC plans to increase this figure to 22 square meters by 2005. The goal of China's urban housing policy is to get every household enough living space to have every basic function installed. (At present, a considerable number of homes and apartments rely on public bathrooms, etc.). AFPA reports that average space per household is roughly 65.5 square meters. Per household space is highest in Chengdu (86.8 square meters), with Changsha

and Haikou running close behind. Space is lowest in Tianjin, Shanghai and Harbin, where the average runs about 49 square meters/household.

New housing starts were 283 million square meters in 2000, up 30.6% over 1999. Statistics for the first five months of 2001 show continued growth in housing starts. There were 117 million square meters of new housing projects in the first five months, up 31% over the same period of last year. The growth rate of real estate development is estimated at 20% in 2001. Construction and marketing remain somewhat haphazard, however. Statistics from the National Statistical Bureau (NSB) show that a record high 10 million cubic meters of empty spaces of residential construction were added last year. A total of 91.24 million cubic meters of commercial housing is unoccupied, more than half of which are over two years old. Statistics for the first five months of this year indicate, however, that the rate of increase in unoccupied space is slowing. During the first five months of 2001, unoccupied space in residential construction increased by 2.3%, as compared to 16.5% for the same period last year. This change has been attributed to government policies that have attempted to slow housing construction and channel it more effectively. Unoccupied space is typically the result of mismatches between the type of housing in demand (lower cost housing) and that which is constructed (i.e., luxury housing). For this year, MOC has noted that top priorities for urban construction include environmental protection and improved transportation.

New expectations and demands have forced China's housing industry to pay more attention to the quality of housing it provides, according to officials of the MOC. The overall quality of housing is determined by a combination of construction methods, building materials, function and service. Buyers have become increasingly concerned about the quality of housing and the manner of its construction. Consumers are demanding the use of energy-saving and environmentally friendly materials and products in their domiciles. This is partly the result of reforms encouraging private ownership of housing. The housing market has exploded in recent years because the central government is gradually scrapping its welfare-style housing distribution system. Now all people, including government officials, are encouraged to pay for their residences themselves, giving them a greater stake in the quality of the housing. Unfortunately, the housing industry has yet to adjust fully to this new system.

China now has a total of 27,000 real estate companies, more than 10,000 architectural design firms and housing construction companies, and tens of thousands of housing materials and equipment producers. These different sectors of the industry tend to do business in their own way, creating a great deal of confusion. Without the development of more coherent efforts among the industry's different sectors, design, technological improvement and materials production will fail to meet consumer demand, especially in the area of quality. The government has recognized this problem, and is encouraging the consolidation of industries in the areas of design, construction, building materials, and equipment. It is hoped that, by liberalizing these markets, small firms with poor quality and financing will be driven out of business through competition.

According to industry analysts, in 2001, housing demand will increase because many large infrastructure projects will begin as the Western Development Strategy is implemented. New housing projects in western provinces experienced a surge in 2000. New housing starts in Guizhou, Gansu, and Xinjiang Province were increased by 300%, 130%, and 120%, respectively. However, these housing starts are mostly cheap concrete buildings.

China's real estate market continued its stable growth in the first five months of this year. The average price for commercial housing was 2,368 RMB/square meter (\$286.3/square meter), up 12.3% over the same period of last year. The average price for residential housing was 2,197 RMB/square meter (\$265.7/square meter). The growing presence of international companies in China over the past year has brought a growing demand for luxury housing. This triggered the first increase in rents for seven years in Shanghai and for six years in

Guangzhou. Rents for luxury housing in the first quarter rose by 4.4 percent in Shanghai and by 1.5 per cent in Guangzhou. Increased rents in Shanghai were further strengthened by rising occupancy rates and limited new development. With growing demand the overall vacancy rate is likely to continue to decline through the rest of the year. Beijing's market is expected to expand rapidly with top quality office buildings and luxury housing being the focus of business and Zhongguancun, China's Silicon Valley, getting a lot of attention. Beijing's successful bid for the 2008 Olympic Games will also trigger a flurry of infrastructure construction, already underway, particularly in areas north of the city. Housing prices in Beijing are already extremely high, averaging about 4,000 rmb/square meter (\$481.9/square meter), due to strong demand and extremely high land prices. Industry sources report that retail space and luxury office space is in oversupply, however, indicating that prospects for housing development will remain strong.

This year the MOC unveiled a set of regulations on standardized commercial housing purchase procedures designed to provide home buyers with legal protection. The regulation, which took effect on June 1, sets out standards for housing quality, lays out purchasing procedures, and defines the responsibilities of developers, agents and buyers. The regulations are a continuation of the MOC's efforts to ensure a sound and active real estate market. It is aimed at protecting the positions of buyers when dealing with agents. The Chinese government also announced the abolition of 47 types of taxes and fees associated with housing construction in April. This policy, however, will have very little impact on construction costs. The real benefit for both developers and buyers is that the procedure for purchasing a home is much simplified.

Privatization, an important component of housing reform, has progressed rapidly. China has been replacing its workplace-distributed housing system with a housing market, which means urban residents must now buy a home for themselves rather than relying on their workplace or the government to provide it to them. Under these conditions, most high-income families and some middle-income families have been able to purchase their own houses. Commercial construction initially focused excessively on luxury housing, but economy housing for lower-income families is now gaining greater attention. A survey of residents of Beijing, Shanghai, Guangzhou, Dalian, Chengdu, and Xi'an shows that 28.2% of residents have bought their housing during the past two years. Of this number, about 40% purchased the same housing that had previously been distributed to them by their employer. In the next two years, housing purchases will tend to shift focus from formerly-state-distributed housing, to commercial housing, as indicated by 44.9% of the interviewees. People buying economy housing, welfare housing, and second-hand housing represent 28.4%, 15.5%, and 6.6%, respectively, indicating the weakness of secondary housing markets.

The development of secondary housing markets has improved gradually. Industry sources indicate that high taxes and fees have been the primary obstacle. Local governments seem to exercise considerable autonomy in regulating secondary housing markets. In Beijing, for example, buyers must pay a 20% tax on the sales of their houses, while the tax rate is only 5% in Shenzhen and Shanghai. Nevertheless, trading agents are trying to reduce taxes and fees in order to stimulate the market. In Beijing, total number of secondary housing transactions in the first five months of 2001 was roughly equivalent to the entire year in 2000. The concept of mortgage loans was first introduced in Guizhou Province last May. Mortgages have since been introduced in the cities of Qingdao, Harbin, Jinan, and Wuhan. A joint effort between the Beijing Real Estate Trading Center and the Industrial and Commercial Bank will bring mortgage loans to Beijing. The primary purpose of these markets will be to standardize and simplify the trading process for both primary and secondary housing markets.

Policy

As many of the laws and regulations in the construction industry were designed for the old planned economy, the MOC has been working on drafting a new housing law. This is a cumbersome process, however, and will take a relatively long time before a draft can be submitted to the National People's Congress.

According to the MOC's 2001 agenda, branch units, service agencies and construction companies are now required to proceed with their work in line with agreed WTO principles and the bilateral agreements signed with other countries. Under WTO, over the next three to five years, China's construction markets will be opened to foreign investors, who will be allowed to enter every sector except for the general planning of cities and high-level real estate projects. MOC believes that this will stimulate the healthy development of the construction sector, leading to greater consolidation and much-needed standardization. China's architecture sector will be fully opened to foreign designers in five years, according to officials with the Ministry of Construction. It is believed that opening the domestic housing designing market will help Chinese architects learn advanced international concepts of home design and bring the country's design services in line with international practice.

The government has undertaken a number of natural resource protection policies that could have a substantial impact on housing construction. Solid clay bricks are a popular building material in China. However, the government has begun to ban the use of solid clay bricks in major cities due to concerns over soil destruction and pollution. Enforcement of this ban will be difficult, however, as a very large percentage of new urban construction consists of steel-reinforced concrete frames filled in with bricks. Brick production is a major small-scale industry throughout rural China, and one that will be difficult, if not impossible, to control. Concrete blocks and cinder blocks are likely substitutes in this role.

Use of wood in construction is also being discouraged. Wood materials are used in housing construction in various ways: for concrete forming; for windows and doors in urban buildings; for beams, rafters and joists in rural housing; and for interior decoration such as floorings, mouldings, and wall panels. The government has recently announced a ban on the use of materials and products which do not meet environmental conservation requirements in residential construction. In urban housing construction, wood materials from natural forests at the upper and middle reaches of Yangtze and Yellow Rivers or from rare wood species are banned from use in doors, windows and floors. While it would be difficult to control the use of these materials at the final stages, industry sources indicate that such use was already limited, and that the timber-cutting restrictions of the NFPP will go a long way to take care of the issue.

Another major change for Chinese home buyers will be the recent plan by the MOC that will shift sales of housing to a finished basis. For a number of years now China's urban housing construction has been dominated by the sale of concrete-shell or unfinished housing. Interior decoration, including plumbing, flooring, etc., was the responsibility of the buyer. Although surveys have indicated that buyers prefer to purchase finished homes, residential buildings with fully finished apartments have found it difficult to find buyers. The apparent reason for this paradox is the low quality of the interiors being provided. Chinese buyers have preferred to buy the concrete shell and spend an additional 30% to 40% of the total purchasing cost to decorate, thus ensuring a quality interior. Often, when buyers did purchase finished apartments, they demolished the interior and had it refinished to their own specifications. MOC is hopeful that progress in the quality of interiors will make the sale of finished housing more viable in the future.

Trade

Growing demand from the housing industry will create greater opportunities for imports of construction materials. This will be complemented by China's entry into the WTO, which will loosen many of the restrictions on imports, and by the Chinese government's growing interest in energy-efficient technologies. Competition is likely to be aggressive, however, and price will continue to be the primary determinant of success in the Chinese market.

Wood frame housing is still a new development in China, having long been discouraged due to the shortage of timber resources. Nonetheless, wood-frame construction has gained a foothold in Shanghai and the surrounding

areas, and new wood-frame developments are being established in other high-income areas such as Dalian, Beijing and Qingdao. Developers continue to face difficulties, however, as local construction and fire codes for wood housing are based on traditional Chinese farmhouse-style construction, and do not account for modern materials and methods. Second-tier, high income cities such as Dalian and Qingdao provide particularly strong opportunities for the development of wood-frame housing, as the high quality of life has attracted significant investment in second homes and vacation homes. Real estate prices in Dalian now average up to 4,000 rmb/square meter (\$480/square meter), making it among the most expensive in the country.

The American Forest and Paper Association (AFPA) has been actively promoting wood frame housing in China. Several technical seminars on construction requirements and fire safety of wood frame housing have been provided to target Chinese builders, developers, and university professors and students in major architectural universities. Strong attendance at these seminars has made the growing interest in wood frame housing evident. The big breakthrough in AFPA promotion activities was the involvement of AFPA staff in the process of revising Chinese building codes, GBJ-5. Mr. Xu Fang, a technical consultant for AFPA China was on the GBJ-5 committee and assigned to draft part of the chapter related to codes for light wood frame buildings, a section that is new to Chinese building codes. Forintek Canada Corp. is also involved in drafting part of this new chapter.

Construction Sector Strategic Indicator Table

CONSTRUCTION MARKET	2000	2001	2002
Report Year:			
Total Housing Starts (thousand units)	18,256	19,534	21,096
--of which, wood frame (thousand units)	10	11	12
--of which, steel, masonry, other materials (thousand units)	18,246	19,523	21,084
--of total starts, residential (thousand units)	14,057	15,041	16,244
----of residential, single family (thousand units)	1,406	1,504	1,624
----of residential, multi-family (thousand units)	12,651	13,537	14,620
--of total starts, commercial (thousand units)	4,199	4,493	4,852
Total Value of Commercial Construction Market (\$US mil)	53,250	58,050	63,846
Total Value of Repair and Remodeling Market (\$US million)	n/a	n/a	n/a

Furniture and Interior Sector

Overview/Outlook

Continued privatization of housing and growing incomes are forecast to support double-digit growth in furniture demand over the next few years. As a growing number of Chinese people become home owners, the amount of money being invested in high quality interiors and furniture is growing rapidly. The average replacement period for furniture is forecast to drop from the current 7-8 years to 4-5 years by 2005. The Chinese Furniture Association reveals that there are over 50 thousand furniture manufacturers of widely varying sizes. Total employment in this industry is over 5 million. In 2000, total output reached 120 billion RMB or \$14.46 billion. Demand is expected to grow at a rate of 10-15% over the next few years. Increased furniture demand will help to support the continued growth of the wood-based panel industry. Official data from the SFA show that production of all types of wood-based panels in 2000 was up by 33% over the previous year. According to industry sources, there are more than 5,000 plywood mills with an annual capacity of over 10 million cubic meters. Of these, more than 200 mills have an annual capacity of over 10,000 cubic meters. Key to the turnaround of this industry has been the ownership structure: the majority plants are not state-owned. Consumer demand has placed increased emphasis on quality, and face ply and base for plywood are now mostly imported.

Most furniture production is centered in coastal areas, particularly in Guangdong, or in Shanghai and the neighboring provinces of Fujian and Zhejiang. About 53% of total furniture exports are from Guangdong province. Foreign investment has become an important component of China's furniture industry, and joint ventures now constitute the majority of China's furniture output. Most of Hong Kong's major furniture manufacturers have moved their manufacturing facilities to Guangdong and Fujian. Guangdong has also attracted heavy investment from Taiwan, with more than 400 Taiwanese furniture companies operating in the province. Investment from Singapore has been centered on the city of Kunshan in Jiangsu Province.

Although the market potential for furniture is large, foreign companies entering China will find tough competition. In addition to the large domestic industry, China's market potential has already attracted a number of foreign furniture makers to the market. IKEA has succeeded in establishing a foothold not only by bringing in new styles of furniture, but also by providing a wider range of choices for Chinese consumers. Under these conditions, smaller domestic manufacturers with poor designs and low quality are likely to go out of business. By the same token, foreign companies without a clear idea of the market they are selling to will also suffer. China's entry into the WTO will push the furniture industry to restructure itself and increase competitiveness. Industry experts agreed that design will be the key to success.

The total value of China's interior decoration market was over \$30 billion in 2000, up 25% over the previous year. Industry sources forecast that this market will continue to grow at a rate of 15%. Timber consumption in this sector is estimated at over 10 million cubic meters in 2000. Within this sector, wood flooring has shown particularly strong growth. Industry statistics indicate that sales of flooring reached over 12 billion yuan, or 100 million square meters in 2000. Annual growth rates are forecast at 10-20%. Consumer preferences show a regional pattern, with northern households preferring laminated wood floors, while consumers in the south show a strong preference for solid wood floors. There are over 100 laminated wood flooring manufacturers with total production capacity of 60 million square meters. At present, the bulk of their output is exported. It is estimated that laminated wood floors will gain a 10% market share of China's flooring market by 2002. Industry sources forecast that this will grow to 15% by 2005. The total production volume of laminated wood flooring is forecast to reach 90 million cubic meters by 2002, and 150 million cubic meters by 2005. At present only about 50% of laminated wood flooring is domestically made, but this number is expected to rise to 80% within five years. There are over 5,000 solid wood flooring manufacturers with a total annual capacity of 40 million square

meters. These manufacturers are relatively small in scale, using low-tech equipment by comparison to the laminated flooring industry. China also produces roughly 3 million square meters of laminated bamboo flooring each year. This industry is in an early stage of development, however, and manufacturing is still on a very small scale.

The growth in the flooring market has attracted the interest of foreign companies. A number of German companies have established manufacturing facilities in China, and industry sources indicate that nearly all of them are expanding their capacities to 10 million square meters each. A new production line of 10 million square meters laminated wood floorings was added by Voehringer Wood Products Co. Ltd, a German flooring manufacturer, which has already invested more than 12 million US dollars in China. It's annual production capacity of laminated wood flooring currently stands at 12 million square meters. There are also a number of German flooring manufacturers that have established branch offices in China, and are very active in promoting their products. The Furen Timber Market in Shanghai specializes in importing full-sized wood floorings, which are then modified into dimensions more suitable to Chinese customers.

There are several key trends that U.S. exporters should keep an eye on. First, demand for office furniture is particularly strong, estimated at \$2.9 billion annually. Interest in imports are stronger in this area due to the large number of foreign companies establishing offices in China, and also due to the poor design and general lack of domestically made modular furniture. Second, the most recent trend for wood furniture has been away from light-colored beech, and toward darker colored furniture. Timber dealers have indicated that American walnut and cherry lumber are selling well, particularly in South China. Finally, as home ownership spreads to the middle class, interest in do-it-yourself products is expected to grow quickly in the major cities.

Trade

China's impending entry into the WTO has sparked increased interest on the part of foreign furniture exporters. Overall import duties on furniture are expected to fall from 22% down to 15%, then gradually decline to a mere 2-3%. As a result, industry sources have forecast that furniture imports will grow by 10% in 2001 and 15% in 2002. Total furniture imports reached \$71 million in 2000, relatively slow growth compared to 1999. Imports from the U.S. jumped by 35%, however, reaching \$12.5 million. Imports for the first four months of 2001 amounted to \$23 million, more or less the same as the same period in 2000.

Furniture exports from China continued to grow to \$3.56 billion in 2000, up 31% over 1999. Exports of wooden furniture amounted to \$1.67 billion in 2000, up 28% over the previous year. The United States continues to be the top importer of Chinese furniture with total imports of \$1.5 billion in 2000, accounting for more than 40% of China's total furniture exports. Manufacturers of furniture for exports receive a 100% rebate on the value added tax for imported wood materials. China Customs data for the first four months of 2001 show export growth dropping to 8.3% compared to the same period last year. This is primarily the result of slow growth in the U.S. economy, as China's exports to the U.S. during that time fell by 0.2%, compared to a growth rate of 53% for the same period in 2000.

The Chinese government encourages use of veneer-faced and decorative-paper faced panels like particleboard, plywood, and MDF. But the average quality of the panel surface is not ideal for thin facing. Industry sources believe that there is a high level of interest in imports of high quality plywood and decorating boards.

Furniture and Interiors Sector Strategic Indicators Table

FURNITURE & INTERIORS MARKET			
	2000	2001	2002
Report Year:			
Total Residential Housing Starts (number of units)	14,057,029	15,041,021	16,244,303
Total Number of Households (thousand units)	348,370	358,370	368,370
Furniture Production (\$US million)	14,458	15,614	17,020
Total Furniture Imports (\$US million)	71	78	90
Total Furniture Exports (\$US million)	3,560	3,845	4,229
Interiors Market Size (\$US million)	30,819	35,442	40,758

Materials Handling Industry

China's materials handling sector has experienced moderate growth during the past several years. Total industrial output in 2000 was \$26.5 billion (220 billion rmb). The tenth five-year plan calls for an annual growth rate of 8%, and 6-7% from 2005 to 2015. Paper, paperboard and plastic materials contribute more than 55% of total output, while wood and other materials account for 9%. No up-to-date statistics on wood packing materials are currently available. Industry sources estimated that less than 3% of national total timber is consumed by the packing industry annually. The China Packing Technology Association indicated that the use of wood packing material was limited and likely to continue shrinking in the future. Implementation of the logging ban has dramatically reduced domestic timber production and thus increased costs of wood for packing uses. The government's wood substitution policies also favor the development of alternative materials. Restrictions imposed by the European Union and North America on the use of solid wood packing material in exports from China have further supported the use of non-wood packing material. Industry sources indicate that honeycomb board is replacing wood as material for pallets. Unlike in the US, recycled plastic pallets are more commonly used than wood pallets in China due to the resources constraint. Use of bamboo plywood is also increasing as China increases bamboo production.

In April this year, the European Union announced restrictions on the use of softwood packing material in shipments from mainland China, Canada, the United States, and Japan. These restrictions were implemented to prevent the spread of pinewood nematode from these countries and put into effect as of October 1, 2001. Exported goods with softwood packing from the above mentioned countries must go through proper treatment before they enter the European Union. The announcement is not expected to have a profound impact on China's exports or on the materials handling sector in general, as China has already adapted following the announcement of restrictions on such solid wood packing materials by the United States in 1998.

China will continue to quarantine wooden packaging from the United States and Japan for pinewood nematode, guided by its announcement in 1999. The newly established State General Administration for Quality Supervision, Inspection and Quarantine (AQSIQ) is strengthening its quarantine program against Japanese wooden packaging. This includes returning certain packages and refusing to inspect others early this year.

Materials Handling Sector Strategic Indicators Table

MATERIAL HANDLING MARKET			
	2000	2001	2002
Report Year:			
Total Value of Industrial Output (\$US million)	26,506	28,627	30,917
New Pallet Production (million units)	N/A	N/A	N/A

Tables

General Trade

Table 1. Trade in Major Wood Products

CHINESE TRADE IN MAJOR WOOD PRODUCTS				
	(1,000 CM / MT)			
IMPORTS	Unit	Imports 1999	Imports 2000	99-00 change
Softwood Logs	1,000CM	4,545	6398	41%
Tropical Hardwood Logs	1,000CM	1,943	2408	24%
Temperate Hardwood Logs	1,000CM	3,613	4803	33%
Total Logs	1,000CM	10101	13609	35%
Softwood Lumber	1,000CM	393	468	19%
Temperate Hardwood Lumber	1,000CM	1,978	2515	27%
Tropical Hardwood Lumber	1,000CM	349	592	70%
Total Lumber	1,000CM	2,720	3575	31%
Softwood Plywood	1,000CM	477	323	-32%
Temperate Hardwood Plywood	1,000CM	52	110	112%
Tropical Hardwood Plywood	1,000CM	176	160	-9%
Total Plywood	1,000CM	705	593	-16%
Fiberboard	MT	556,359	710159	28%
MDF	MT	131,856	238888	81%
Continuously Shaped Wood	MT	24,799	11548	-53%
Particleboard	MT	161,295	198365	23%
Poles	MT	22,379	24959	12%
Pulpwood	1,000MT	2,955	3039	3%
Railway Ties	1,000CM	36	38	6%
Veneer	MT	480,969	487116	1%
Wood Chips	MT	1,030	1202	17%

EXPORTS	Unit	Exports 1999		99-00 change
Softwood Logs	1,000CM	2	1	-50%
Tropical Hardwood Logs	1,000CM	8	5	-38%
Temperate Hardwood Logs	1,000CM	11	20	82%
Total Logs	1,000CM	14	18	29%
Softwood Lumber	1,000CM	38	88	132%
Temperate Hardwood Lumber	1,000CM	268	332	24%
Tropical Hardwood Lumber	1,000CM	3	3	0%
Total lumbers	1,000CM	309	423	37%
Softwood Plywood	1,000CM	129	243	88%
Temperate Hardwood Plywood	1,000CM	17	15	-12%
Tropical Hardwood Plywood	1,000CM	43	106	147%
Total Plywood	1,000CM	189	364	93%
Fiberboard	MT	13,004	24716	90%
MDF	MT	3,805	8568	125%
Continuously Shaped Wood	MT	68,745	80277	17%
Particleboard	MT	10,967	17062	56%
Poles	MT	4,083	5485	34%
Pulpwood	MT	1,676	12823	665%
Railway Ties	1,000CM	44	10	-77%
Veneer	MT	36,379	40072	10%
Wood Chips	MT	1,600,959	1874855	17%
Source: PRC Customs				

Table 2. Tariffs and Taxes

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff	Tariff	Other		
Country:	Product	for	for	Import	Total	Export
		2000	2001	Taxes/ Fees	Cost of Import	Tax
Report Year:	Description 1/				2/	
	4401 Fuel wood, chips & sawdust, etc.	0	0	17	17	0
	4403 Wood in the rough	0	0	13	13	0
	4404 Poles etc.	10	8	17	25	0
	4405 Wood wool, wood flour	9	8	17	25	0
	4406 Sleepers	0	0	17	17	0
	4407 Sawn wood >6mm thick	0	0	17	17	0
	44081010 Coniferous veneer sheets	10	8	17	25	0
	44081020 Coniferous sheets for plywood	6	6	17	23	0
	44081090 Other coniferous sheets	8	8	17	25	0
	44083110 Veneer sheets	8	8	17	25	0
	44083120 Tropical sheets for plywood	5	5	17	22	0
	44083190 Other tropical sheets	8	8	17	25	0
	44083910 Other tropical veneer sheets	8	8	17	25	0
	44083920 Other tropical plywood sheets	5	5	17	22	0
	44083990 Other tropical	8	8	17	25	0
	44089010 Other veneer sheets	8	8	17	25	0
	44089020 Other sheets for plywood	5	5	17	22	0
	44089090 Other	8	8	17	25	0
	4409 Continuously shaped wood	15	15	17	32	0
	44101100 Particle board, waferboard, including OSB	18	16	17	33	0
	44101900 Other particle board	18	18	17	35	0
	44109000 Particle board, other ligneous materials	18	16	17	33	0
	44111100 Fiberboard >0.8g/cu cm not worked	15	14	17	31	0
	or covered					
	44111900 Other fiberboard >0.8g/cu cm	18	18	17	35	0
	44112100 Fiberboard 0.5-0.8g/cu cm not worked	18	18	17	35	0
	or covered					
	44112900 Other fiberboard 0.5-0.8g	18	18	17	35	0
	44113100 Fiberboard 0.35-0.5g/cu cm not worked	12	11	17	28	0
	or covered					
	44113900 Other fiberboard 0.35-0.5g	12	11	17	28	0
	44119100 Other fiberboard not worked or covered	12	11	17	28	0
	44119900 Other fiberboard	12	11	17	28	0
	4412 Plywood, veneer etc.	15	15	17	32	0

4413	Densified wood blocks etc.	10	10	17	27	0
4414	Frames for paintings etc.	22	20	17	37	0
4415	Packing cases, cable-drums, pallets etc.	10	10	17	27	0
4416	Casks, barrels, vats etc.	18	16	17	33	0
4417	Tools, tool handles etc.	18	16	17	33	0
4418	Builders' joinery, carpentry					
44181000	Windows, French windows and frames		16	17	33	0
4418200	Doors and their frames and thresholds		16	17	33	0
4418300	Parquet panels		18	17	35	0
4418400	Shuttering for concrete constructional work		10	17	27	0
4418500	Shingles and shakes		16	17	33	0
4418900	Other		18	17	35	0
4419	Tableware, kitchenware	21	18	17	35	0
except:						
4419 0010	One-time chopsticks, of wood	10	10	17	27	0
1/ If yes, describe in report.						
2/ If yes, identify in Tariff and Tax Strategic Indicator Table.						

Roundwood

Table 3. Roundwood Production, Supply and Distribution

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Roundwood					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	45495	43957	40225	39561	0	36000
Imports	9740	13612	11800	16062	0	19275
TOTAL SUPPLY	55235	57569	52025	55623	0	55275
Exports	6	27	6	15	0	12
Domestic Consumption	55229	57542	52019	55608	0	55263
TOTAL DISTRIBUTION	55235	57569	52025	55623	0	55275

Table 4. Roundwood Trade, Imports

Roundwood Imports (cubic meters)			
Commodity:	Roundwood		
Source	CY 1999	Source	CY 2000
U.S.	64,066	U. S.	61079
others:		Others:	
Russia	4,305,059	Russia	5930938
Malaysia	2,020,128	Malaysia	2008967
Gabon	895,378	Gabon	1144385
Papua New Guinea	454,394	Papua New Guinea	755402
Indonesia	386,122	Indonesia	602697
Equatorial Guinea	372,557	Myanmar	582719
Myanmar	355,983	Germany	475077
New Zealand	234,820	New Zealand	405569
Germany	226,464	Equatorial Guinea	358535
Cameroon	216,240	Liberia	292328
Total for others	9467145	Total for others	12556617
Others not listed	604,620	others not listed	993993
Grand Total	10135831	Grand Total	13611689

Table 5. Roundwood Trade, Exports

Roundwood Exports (cubic meters)			
Commodity:	Roundwood		
Destination	CY 1999	Destination	CY 2000
U.S.	0		0
others:			
Japan	16,658	Japan	24287
Korea, South	3,076	South Korea	1371
Philippines	2,149	Taiwan	493
Taiwan	560		
Total for others	22443		26151
Others not listed	573		560
Grand Total	23016		26711

Logs

Table 6. Softwood Logs Production, Supply and Distribution

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Softwood Logs					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	31039	29891	26310	25715	0	23400
Imports	6023	6398	6895	7742	0	9290
TOTAL SUPPLY	37062	36289	33205	33457	0	32690
Exports	2	1	2	1	0	1
Domestic Consumption	37060	36288	33203	33456	0	32689
TOTAL DISTRIBUTION	37062	36289	33205	33457	0	32690

Table 7. Softwood Logs Trade, Imports

Softwood Log Imports (cubic meters)			
	Softwood Logs		
Commodity:	Softwood Logs		
Source	CY 1999	Source	CY 2000
U.S.	26437	U. S.	32,812
Others			
Russia	3945527	Russia	5,485,234
New Zealand	212452	New Zealand	360,813
North Korea	163243	North Korea	122,252
Malaysia	156955	Malaysia	306,814
Myanmar	21202	Myanmar	39,493
Kazakstan	13205	Kazakstan	36,451
Mongolia	2999	Australia	10,716
Indonesia	1142	Canada	1,645
Chile	500	Taiwan	841
South Africa	398	Mongolia	651
Total for Others	4517623		6364910
Others not listed	1046		236
Grand Total	4545106		6397958

Table 8. Softwood Logs Trade, Exports

Softwood Log Exports (cubic meters)			
	Softwood Logs		
Destination	CY 1999	Destination	CY 2000
U.S.	0		0
Others			
South Korea	698	Japan	638
Japan	428	Tonga	246
Indonesia	298	South Korea	39
Taiwan	54	Taiwan	35
Myanmar	46		
Thailand	35		
Total for others	1559		958
Others not listed	0		0
Grand Total	1559		958

Table 9. Temperate Hardwood Logs Production, Supply and Distribution

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Temperate Hardwood Logs					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	13649	13187	12831	12660	0	11880
Imports	663	4803	775	5283	0	6181
TOTAL SUPPLY	14312	17990	13606	17943	0	18061
Exports	1	20	1	12	0	8
Domestic Consumption	14311	17970	13605	17931	0	18053
TOTAL DISTRIBUTION	14312	17990	13606	17943	0	18061

Table 10. Temperate Hardwood Logs Trade, Imports

Temperate Hardwood Log Imports (cubic meters)			
Commodity:	Temperate Hardwood Logs		
Source	CY 1999	Source	CY 2000
U.S.	29816	U. S.	27292
Others			
Malaysia	1416554	Malaysia	1304560
Russia	354597	Papua New Guinea	691650
Papua new Guinea	319129	Germany	474325
Indonesia	237545	Russia	445402
Germany	226327	Liberia	285647
France	51704	France	231240
Denmark	21511	Denmark	59762
Belgium	12224	Belgium	38265
New Zealand	8840	New Zealand	37578
North Korea	8630	Romania	17858
Total for Others	2657061		3586287
Others not listed	925828		1189855
Grand Total	3612705		4803434

Table 11. Temperate Hardwood Logs Trade, Exports

Temperate Hardwood Logs Exports (cubic meters)			
Commodity:		Temperate Hardwood Logs	
Destination	CY 1999	Destination	CY 2000
U.S.	0	U. S.	0
Others		Others	
Japan	10296	Japan	19,932
South Korea	288	Thailand	225
		South Korea	199
Total for others	10584		20356
Others not listed	238		89
Grand Total	10822		20445

Table 12. Tropical Hardwood Logs Production, Supply and Distribution

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Tropical Hardwood Logs					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	701	879	610	791	0	720
Imports	2818	2408	3565	3010	0	3823
TOTAL SUPPLY	3519	3287	4175	3801	0	4543
Exports	4	5	4	4	0	3
Domestic Consumption	3515	3282	4171	3797	0	4540
TOTAL DISTRIBUTION	3519	3287	4175	3801	0	4543

Table 13. Tropical Hardwood Logs Trade, Imports

Tropical Hardwood Logs Imports (cubic meters)			
Commodity: Tropical Hardwood Logs			
Source	CY 1999	Source	CY 2000
U.S.	393	U. S.	460
Others			
Gabon	746867	Gabon	1019590
Malaysia	439331	Malaysia	397593
Equatorial Guinea	299835	Equatorial Guinea	333187
Indonesia	144834	Indonesia	285937
Papua New Guinea	135265	Cameroon	160287
Cameroon	57242	Myanmar	79355
Myanmar	41883	Papua New Guinea	63752
Guinea	17962	Solomon Island	11630
Thailand	13907	Thailand	11242
Brazil	11801	Laos	7663
Total for Others	1908927		2370236
Others not listed	33893		37012
Grand Total	1943213		2407708

Table 14. Tropical Hardwood Logs Trade, Exports

Tropical Hardwood Logs Exports			
Commodity: Tropical Hardwood Logs			
Destination	CY 1999	Destination	CY 2000
U.S.	0	U. S.	0
Others		Others	
Japan	5851	Japan	3540
South Korea	2090	South Korea	1133
Taiwan	506	Taiwan	458
Thailand	39		
Total for Others	8486		5131
Others not listed	0		0
Grand Total	8486		5131

Lumber

Table 15. Softwood Lumber Production, Supply and Distribution

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Softwood Lumber					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	8218	3997	7289	3397	0	3058
Imports	401	468	415	538	0	619
TOTAL SUPPLY	8619	4465	7704	3935	0	3677
Exports	25	88	15	132	0	178
Domestic Consumption	8594	4377	7689	3803	0	3499
TOTAL DISTRIBUTION	8619	4465	7704	3935	0	3677

Table 16. Softwood Lumber Trade, Imports

Softwood Lumber Imports (cubic meters)			
Commodity:	Softwood Lumber		
Source	CY 1999	Source	CY 2000
U.S.	18137	U. S.	26,943
Others			
New Zealand	96298	Russia	128,646
Russia	75749	New Zealand	111,301
Mongolia	60134	Canada	51,313
Canada	26481	Myanmar	26,175
Myanmar	21176	Brazil	24,949
Kazakstan	16923	Finland	21,848
Austria	12874	Sweden	18,281
Indonesia	10938	Austria	9,570
Malaysia	9628	Kazakstan	9,473
Brazil	8605	Indonesia	7,490
Total for Others	338806		409046
Others not Listed	36469		32280
Grand Total	393412		468269

Table 17. Softwood Lumber Trade, Exports

Softwood Lumber Exports (cubic meters)			
Commodity	Softwood Lumber		
Destination	CY 1999	Destination	CY 2000
U.S.	0		18,705
Others			
Japan	29535	Japan	54,727
Taiwan	3688	South Korea	8,642
Hong Kong	1762	Taiwan	2,086
South Korea	1691	Hong Kong	1,507
Sudan	598	Indonesia	1,285
Thailand	437		
United Kingdom	238		
Vietnam	197		
Malaysia	142		
Germany	53		
Total for Others	38341		68247
Others not Listed	124		640
Grand Total	38465		87592

Table 18. Temperate Hardwood Lumber Production, Supply and Distribution

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Temperate Hardwood Lumber					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	4897	2217	4343	1995	0	1816
Imports	2867	2515	3425	2716	0	3259
TOTAL SUPPLY	7764	4732	7768	4711	0	5075
Exports	115	332	105	335	0	350
Domestic Consumption	7649	4400	7663	4376	0	4725
TOTAL DISTRIBUTION	7764	4732	7768	4711	0	5075

Table 19. Temperate Hardwood Lumber Trade, Imports

Temperate Hardwood Lumber Imports (cubic meters)			
Commodity:	Temperate Hardwood Lumber		
Source	CY 1999	Source	CY 2000
U.S.	290495	U. S.	255853
Others			
Indonesia	447142	Indonesia	683515
Malaysia	417413	Malaysia	367721
Germany	320542	Thailand	249622
Thailand	76731	Germany	185114
Italy	68984	Canada	118025
France	51588	Romania	107910
Taiwan	48743	Myanmar	90964
Myanmar	43730	Italy	67757
Canada	40388	France	62442
New Zealand	35404	Taiwan	47550
Total for Others	1550665		1980620
Others not Listed	136384		278797
Grand Total	1977544		2515270

Table 20. Temperate Hardwood Lumber Trade, Exports

Temperate Hardwood Lumber Exports (cubic meters)			
Commodity	Temperate Hardwood Lumber		
Destination	CY 1999	Destination	CY 2000
U.S.	3469		2691
Others			
Indonesia	156712	Japan	202721
South Korea	70719	South Korea	85286
Hong Kong	16767	Hong Kong	13698
Singapore	6930	Taiwan	9600
Taiwan	4330	Singapore	5937
Thailand	3655	Thailand	3399
Malaysia	2092	Malaysia	2054
Indonesia	1330	Indonesia	1890
Vietnam	661	Germany	1447
Spain	469	Vietnam	1330
Total for Others	263665		327362
Others not Listed	1261		2222
Grand Total	268395		332275

Table 21. Tropical Hardwood Lumber Production, Supply and Distribution

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Tropical Hardwood Lumber					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	249	127	224	117	0	111
Imports	489	592	535	752	0	940
TOTAL SUPPLY	738	719	759	869	0	1051
Exports	2	3	2	3	0	3
Domestic Consumption	736	716	757	866	0	1048
TOTAL DISTRIBUTION	738	719	759	869	0	1051

Table 22. Tropical Hardwood Lumber Trade, Imports

Tropical Hardwood Lumber Imports (cubic meters)			
Commodity:	Tropical Hardwood Lumber		
Source	CY 1999	Source	CY 2000
U.S.	27859	U. S.	12005
Others		Others	
Malaysia	134290	Indonesia	285915
Indonesia	133210	Malaysia	163052
Myanmar	8373	Brazil	24873
Taiwan	7187	Thailand	23566
Brazil	7073	Myanmar	22076
Thailand	6408	Canada	13993
Canada	3974	France	10047
Singapore	2430	Australia	6809
Cameroon	2334	Taiwan	5885
Germany	2120	Cameroon	5487
Total for Others	307399		561703
Others not Listed	13935		17961
Grand Total	349193		591669

Table 23. Tropical Hardwood Lumber Trade, Exports

Tropical Hardwood Lumber Exports (cubic meters)			
Commodity	Tropical Hardwood Lumber		
Destination	CY 1999	Destination	CY 2000
U.S.	10	U. S.	74
Others		Others	
Angola	195	Japan	1210
Taiwan	796	Taiwan	665
Thailand	130	Hong Kong	310
South Korea	40	Malaysia	210
Singapore	4	South Korea	94
Malaysia	93	Vietnam	61
Japan	1206	Italy	16
Hong Kong	812		
Total for Others	3276		2566
Others not Listed	0		0
Grand Total	3286		2649

Plywood

Table 24. Softwood Plywood Production, Supply and Distribution

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Softwood Plywood					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	1185	1489	1531	1623	0	1753
Imports	382	323	355	242	0	206
TOTAL SUPPLY	1567	1812	1886	1865	0	1959
Exports	155	243	241	448	0	846
Domestic Consumption	1412	1569	1645	1417	0	1113
TOTAL DISTRIBUTION	1567	1812	1886	1865	0	1959

Table 25. Softwood Plywood Trade, Imports

Softwood Plywood Imports (cubic meters)			
Commodity:	Softwood Plywood		
Source	CY 1999	Source	CY 2000
U.S.	375	U. S.	116
Others			
Indonesia	241345	Indonesia	174,904
Malaysia	219055	Malaysia	129,026
Taiwan	6010	Cambodia	5,566
China	1835	Taiwan	4,426
Vietnam	1555	Singapore	2,749
Thailand	1155	South Korea	1,989
Canada	1025	Russia	1,183
Russia	862	Canada	991
Cambodia	820	Hong Kong	759
Hong Kong	785	China	494
Total for Others	474447		322087
Others not Listed	2185		1215
Grand Total	477007		323418

Table 26. Softwood Plywood Trade, Exports

Softwood Plywood Exports (cubic meters)			
Commodity	Softwood Plywood		
Destination	CY 1999	Destination	
U.S.	32663		34430
Others			
Hong Kong	49886	Hong Kong	49782
Japan	15977	South Korea	35763
South Korea	11957	Japan	32,006
Taiwan	4531	Israel	29,433
Israel	3425	Taiwan	28,673
Singapore	3345	Singapore	7,165
Yemen	2310	Mexico	5,827
Mongolia	1252	Italy	4,560
Malaysia	863	Yemen	3,431
India	639	Iraq	2,429
Total for Others	94185		199069
Others not Listed	2251		9,628
Grand Total	129099		243,127