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Solid Wood Products

Annual

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Approved by:
LaVerne E. Brabant
U.S. Embassy

Prepared by:
Chinese Agricultural Academy of Science's Center of Agricultural Policy & James Butterworth

Report Highlights:
Forest products imports grew rapidly in 2003, especially for softwood logs, softwood lumber, and hardwood lumber. The outlook for continued growth appears excellent given a booming Chinese economy and growing market opportunities that are expected from China's entry into the WTO.

Includes PSD Changes: Yes
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Forest Situation / Outlook

According to China's State Forestry Administration (SFA), at the end of 2002, China's forest coverage stood at 16.55 percent of its total land area. This is the same coverage as was shown in China's fifth and most recent national forest resources inventory, which covered the years 1994 to 1998. Data for the most current forestry resources will be not be released until 2004 when the sixth national forest resources inventory, which will cover the years 1999 to 2003, will be released. That data limitation notwithstanding, the Government of China (GOC) has set a target of 19.4 percent of forest coverage by 2010, an increase of 39 million hectares of forestland. The GOC has undertaken five major ongoing policy initiatives to help achieve that goal. They are as follows:

- Shifting from timber production oriented forestry to ecological protection oriented development;
- Shifting from logging natural forests to harvesting plantation forests;
- Shifting from free use of forest ecological benefits to paid use of forest ecological benefits;
- Shifting from deforestation for agricultural cropping to converting cropland into forests;
- Shifting from forestry sector management to social forestry management.

The GOC has proposed and begun to implement several policy measures aimed at not only better balancing China's timber supply with domestic demand for timber over the long run, but also reducing dependence on imported timber products. Objectives for these measures include:

- Expanding domestic forest resources, primarily through development of fast-growing, high yielding plantations.
- Encouraging Chinese enterprises to invest in overseas timber production
- Encourage investment particularly private and foreign investment in establishing timber bases.

In early August 2002, SFA approved full implementation of the Fast-growing Timber Plantation Program. This is the seventh and most recent of China's major forestry programs. The other six programs are: 1) the Natural Forest Protection Program (NFPP); 2) Grain for Green Program; 3) Construction of Three North Shelter Belts and Shelter Belts in the Middle and Lower Reaches of Yangtze River; 4) Sand Control in Beijing and Surrounding Areas; 5) Wildlife Protection and Nature Conservation; and, 6) Construction of Commercial Forest Bases by Planting Fast Growing Species.

The Fast-growing Timber Plantation Program (FGTPP) will be carried out from 2001 to 2015, with a total investment of 71.8 billion yuan. The program covers 886 counties (municipalities and districts) and 114 forest bureaus (farms) in 18 provinces and autonomous regions. The overall scale of the base construction is 13.33 million ha, of which 6.18 million ha are newly established plantations and 7.15 million ha are existing forests to be rehabilitated and improved. Upon completion, with an annual increase of 199.58 million cubic meters (m3), the plantation base will provide 133.37 million m3 of timber annually, which is 40 percent of domestic commercial timber demand. In addition, some timber will be obtained through logging of natural forests. All of these measures are aimed at maximizing domestic timber supply and thereby reducing reliance on imports.

SFA reported that 370,000 ha of fast-growing trees had been planted at a cost of 1.3 billion yuan (US$154 million) under the FGTPP program by the end of 2002. Statistics for the first quarter of 2003 show a similar planting pace. SFA officials indicated, however, that implementation procedures are the key to the project's success. Selection of tree species is another factor. Currently, too few species are planted. Both SFA and industry sources recognize that China needs to increase the diversity of tree species to ensure forest health and ecological viability.

Preliminary statistics from China's Statistical Bureau show that industrial roundwood production in 2002 was 50.35 million m3, a 10.6 percent increase over the previous year. While timber production from natural forests continued to drop due to the NFPP, harvesting from plantations has increased. The SFA, however, shows that the timber production from both forests and plantations was only 44.36 million m3 in 2002, a drop of 2.5 percent over 2001. Industry sources indicated that total commercial timber production in 2002 was as high as 160 million m3. Over-quota logging, which is illegal, still attributed to this large gap. In 2003, timber production from regions included in the NFPP will continue to decline but at a lower rate, while production from plantations is likely to grow.

Although China's forest harvesting quota system has existed since 1987, outside quota, i.e., illegal, logging continues to be a major problem.

According to the most recent census on forest inventory covering 1994-1998, 86 million m3 of timber were harvested outside the quota annually. Experts, particularly economists, have started to question the quota system's validity. Some experts even have suggested that China should abolish its logging quota. Based on their economic analysis, the logging quota thwarts investment in China's forest industry because it reduces economic incentives for modern forest management. Some forestry officials, however, strongly object to any suggestion of eliminating the quota system. Given these objections, it is unlikely that quota system will be abandoned any time soon. Opponents of the quota system, however, argue that, at the very least, there needs to be better verification procedures for the information that is submitted by the provincial officials because they tend to underreport harvesting. To this end, on August 23, 2002, SFA issued a Circular on Adjustment of Administrative Policy on Logging of Plantation Timber Forests. It is considered to be the most important adjustment since China initiated its logging quota system in 1987. The ultimate goal of this adjustment is to speed up the shift of logging from natural forests to plantations.

The central government has vowed to invest heavily in environmental protection and development in the vast western regions, following the Party's call to build China into an overall *xiaokang* or "well-off society" within two decades. To this end, the Grain for Green program was fully launched in 2002 and reportedly proved to be very successful in some regions. The government plans to invest more than 500 billion yuan (US$60.5 billion) in planting trees and restoring grasslands in its 12 western provinces, autonomous regions and municipalities by 2010. More than 100 million mu (6.6 million ha) of cultivated land is expected to be converted back to forests this year, which is 20 million mu (1.3 million ha) more than the area slated for conversion in 2002. The program has entered a crucial period in 2003, as the time limit for subsidies in some regions will expire at the end of 2003. As the program continues, more questions are being raised over the fate of many of the large-scale projects. Some doubt whether local governments will have the funds to contribute their share to carry out the central government's policy in the decades ahead. The lack of provincial-level funding may reduce or jeopardize the compensation paid to local farmers in the future. To ensure the effective administration of the grain-for-green plan, the State Council passed a new regulation that took effect on January 20, 2003. It codifies what had been goals and guidelines and gives them the teeth of penalties for not complying. It also clarifies the roles and responsibilities of the relevant departments and individuals in the national ecological protection campaign.

In 2002, the Chinese government invested 26.5 billion yuan (US$3.2 billion) in six key forest programs and 4.13 million hectares of plantations were added. In order to keep track of the programs' performance and their social and economical impacts, in early 2003, SFA established a Monitoring and Evaluation Center for Six Key Forest Program. Currently, the Center has collected information on 100 sample counties and evaluated the programs' social and economic benefits.

Sustainable forest development has been promoted by both governmental and non-governmental agencies. The World Wildlife Fund (WWF), the Chinese Academy of Forestry, and private sector groups, have been working together since 1999 to set up a forest certification system in China. The GOC is very supportive of the process, and is now actively promoting it. The Working Group on Forest Certification has received official support from SFA and held its two meetings in May 2001 and December 2002, as well as several workshops. Forest certification, however, is still a relatively new idea in China. By the end of 2002, only one 940 ha tract had been certified under the FSC scheme. Nevertheless, in response to strong demand for certification in international markets, export-oriented furniture manufacturers and other wood processing companies have begun to adopt certification for Chain-of Custody (CoC). By June 30, 2002, 35 companies had been certified for CoC under the FSC scheme. Under the CoC, Chinese companies import certified wood with which they manufacture their products.

The Chinese government is also considering developing its own standards and principles of forest certification. To this end, the Working Group on Forest Certification (for background, see FAS report CH2026) has drafted the Certification Criteria for Sustainable Forest Management in China. In the mean time, the Working group proposed to adopt diversified certification schemes.

China also has been working with other countries and international organizations to promote worldwide sustainable forest development. Indonesia and China have agreed to cooperate in curbing the illegal trade in forest products. On December 18, 2002, the Chinese State Forestry Administrator and his Indonesian counterpart signed a Memorandum of Understanding (MOU). Under the MOU, both countries have pledged themselves to collaborate in eradicating all forms of illegal trade in forest products, including endangered plants and animals, and to ensure sustainable forest development.

FOREST AREA			
Country:			
Report Year:	**2002**	**2003**	**2004**
Total Land Area (million hectares)	960	960	960
Total Forest Area (million hectares)	162	164	167
--of which, Commercial ('000 hectares)	101,039	102,353	103,684
----of commercial, tropical hardwood ('000 ha)	4,850	4,913	4,977
----of commercial, temperate hardwood ('000 ha)	43,649	44,216	44,791
----of commercial, softwood ('000 ha)	52,540	53,224	53,915
Forest Type			
--of which, virgin ('000 ha)	11,210	11,030	10,850
--of which, plantation ('000 ha)	49,896	50,894	51,912
--of which, other commercial (regrowth) ('000 ha)	100,894	101,903	102,922
Total Volume of Standing Timber (‘000 cum)	12,717,863	12,908,631	13,102,260
--of which, Commercial Timber ('000 cum)	7,249,182	7,321,674	7,394,890
Annual Timber Removal ('000 cum) 1/	329,876	339,772	344,966
Annual Timber Growth Rate ('000 cum)	471,251	485,389	499,950
Annual Allowable Cut ('000 cum)	223,100	223,100	223,100

Solid Wood Situation / Outlook

Continued economic growth in China drove strong consumption of wood products in 2002. The trend has continued through April 2003, with GDP increasing 8.9 percent over the previous year. Unofficial sources indicated that total industrial timber consumption in 2002 was approximately 268 million m3, 7.2 percent more than in 2001. Domestic timber resources supplied about 160 million and the rest came from imports. Construction, furniture and interior decoration, and paper continued to be major timber consuming sectors. Timber consumption in 2003 is forecast to remain high, driven by large scaled infrastructure construction projects, such as those for 2008 Olympics, Three-Gorges Dam project, and Western Development program, and housing construction, improvement and decoration.

Although the Chinese government has tried to increase its timber supply by developing fast-growing plantations, increasing efficiency of wood utilization, as well as promoting use of wood substitutes, the gap between domestic timber supply and demand remains. Currently, China is short of large-diameter high-grade timber, which usually was harvested from natural forests. In 2002, China imported a record 24.33 million m3 of industrial roundwood. Sawn wood imports grew at a slower pace, but still reached 5.4 million m3.

After implementation of NFPP, the domestic primary wood processing industry, and sawmills in particular, have had to operate at less than full capacity, and some have had to shut down permanently due to a shortage of raw materials. A new business model has appeared in response to this problem. Instead of large scaled sawmills, numerous small sawmills that use chain saws to saw the lumber are all that survive in many timber markets. Official sawn wood production in 2002 reached 8.5 million m3, an increase of 17 percent over the previous year. Industry sources indicate the real production figure is much higher, because production from those small sawmills is not included in the official statistics.

The wood panel industry experienced continued growth in 2002 and 2003. According to SFA, total panel production reached 29.3 million m3 in 2002, up 33 percent over 2001. Production of plywood, fiberboard, and particleboard was 11.35 million m3, 7.67 million m3, and 3.69 million m3, respectively. The abundance of fast-growing timber, especially poplar, and small-diameter timber contributed to high growth of the panel industry. It is interesting to note that panel industry in some provinces with few forest resources, such as Zhejiang, Jiangsu, Shandong, and Hebei Province, has expanded significantly in recent years. Unofficial statistics, for example, show that Shandong Province accounts for about 17 percent of China's MDF production capacity.

WOOD PRODUCTS SUBSIDIES			
Country:			
Report Year	**2002**	**2003**	**2004**
Total Solid Wood Export Subsidy Outlay ($US million)	n/a	n/a	n/a
Is there a ban on the export of logs, lumber, or veneer?	partial*	n/a	n/a
Are there export taxes (yes/no)?	No	No	No
Total Wood Production Subsidy ($US million)	n/a	n/a	n/a
Scope (thousands of hectares)	n/a	n/a	n/a
Are there other wood products export expansion activities?	n/a	n/a	n/a

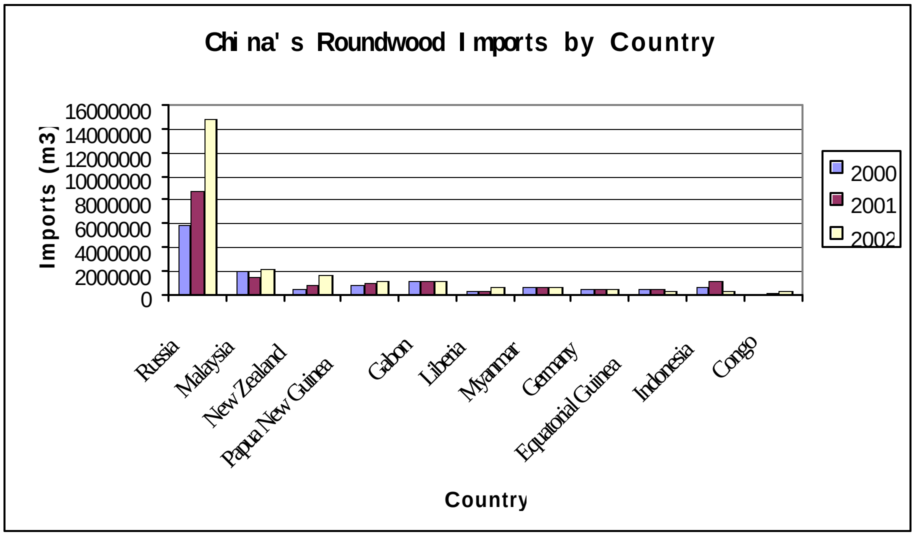
***An export license is required when exporting logs and specific types of lumber (HS4406.9000).**

Trade

Overview

In 2002, imports of wood products set a new record high, and they show no sign of slowing down in 2003. Total imports of timber products and pulp and paper in 2002 reached 108.7 million m3 in roundwood equivalent volume, the highest level in history. Roundwood imports in 2002 reached 24.33 million m3, valued at US$2.14 billion, up by 44.3 percent and 26.24 percent respectively over 2001. Lumber imports in 2002 were 5.396 million m3 and valued at US$1.16 billion, an increase of 33.57 percent in volume and 17.14 percent in value over 2001. Total plywood (HS#4412) imports in 2002 dropped 2.3 percent in volume to 636,144 m3, but the value increased 1.67 percent, driven by increasing domestic demand for high-grade plywood. Imports of veneer continued to drop, but at a slower rate than in past years. Total imports of veneer in 2002 was 214,994 metric tons (307,134 m3), valued at US$89.4 million, down 14 percent in volume and 6 percent in value over 2001.

In 2002, Russia continued to dominate China's roundwood imports. Total roundwood imports from Russia reached 14.8 million m3, up 68.9 percent. Russia's market share of China's roundwood imports increased to a record 61 percent in 2002 from 52 percent in 2001. Several factors contributed to this surge in imports of Russian wood, namely: 1) similarity of wood species in the Russian Far East and northeast China; 2) convenience in border trade between Russia and its neighboring Chinese province of Heilongjiang; and, 3) favorable tax policy for these imports. The increased use of ocean freight is another important factor. Since 2001, Russia resumed shipping timber by sea. The volume of logs shipped by sea in 2002 was 2 million m3, up sharply from only 570,000 m3 in 2001, when Russia resumed such shipments. These shipments have extended the geographic reach of Russian timber beyond just northeast China. They now extend to all other major timber consuming regions, such as east coastal regions and the Southwest. Industry sources attributed this sharp increase in imports to the fact that Russian logs are much cheaper than U.S. logs.



Source of Data: China Customs

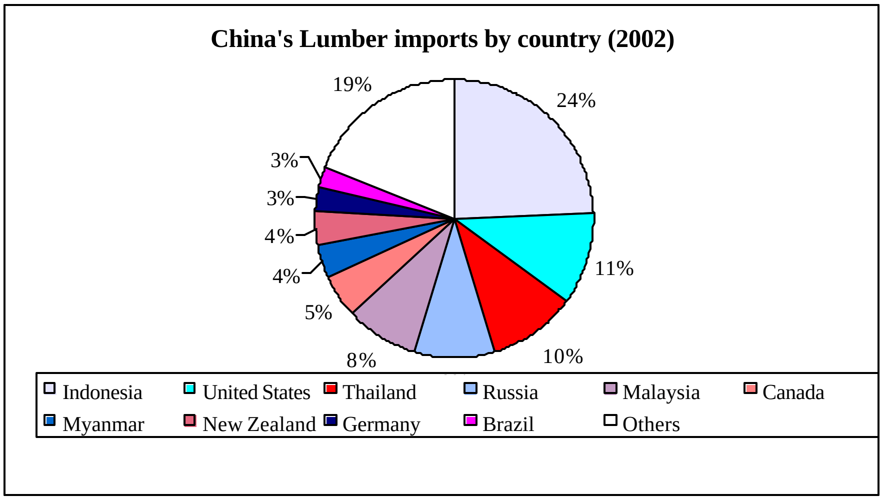
Some experts foresee a slackening of the pace of imports of Russian logs in 2003. Large stocks of Russian logs in Chinese market places have driven down both prices and profits.

Softwood log imports grew faster than hardwood logs in 2002. The former reached 15.78 million m3. Russian softwood logs accounted for 87.7 percent of total imports of softwood logs, followed by New Zealand and Australia. Russian logs also dominate temperate hardwood log imports. Imports of tropical hardwood logs dropped 17 percent, partially driven by export bans in major supplying countries, including Indonesia and Cameroon. Given this shortage of tropical hardwood logs, buyers are shifting to temperate hardwood products. Softwood logs are imported primarily for use in construction, plywood manufacturing, materials handling and molding. Use in furniture manufacturing and interior decoration, however, is growing. Hardwoods are used primarily for manufacturing furniture, flooring, and interior decoration, with some used, particularly tropical hardwood, for decorative plywood.

Lumber imported from ten countries has accounted for nearly half of the total lumber imports in China for last several years (see graph below). The same top ten countries have remained on the list for last three years, but some countries' ranking has changed considerably. Indonesia has been the No.1 supplier of China's lumber imports for the last three years. Its market share was 26.3 percent of China's total lumber imports in 2002. The U.S. was the second largest supplier of China's lumber imports. By contrast, Malaysia dropped to #5 in 2002 from its #2 position in 2001.

The proportion of softwood lumber in China's total lumber imports has increased over the past three years -- 12.9 percent in 2000, 15.8 percent in

2001, and 22 percent in 2002. A sharp increase in imports of Russian lumber has attributed to this growth. Given that the Russian government has been promoting exports of value-added wood products, China's import of softwood lumber is expected to grow in the years to come.



Source of Data: China Customs

China's Customs data for the first five months of 2003 show continued growth in imports of solid wood products, but the composition of those imports has changed. Roundwood imports in the first five months of 2003 were 10.8 million m3, valued at US$1.03 million, up by 7.27 percent in volume and 18.25 percent in value over the same period of 2002. Sharp increases in imports of tropical hardwood logs contributed to higher growth in import value than volume. Imports of tropical hardwood logs from Malaysia, Myanmar, Cameroon, and Congo increased sharply and brought total imports of tropical hardwood logs to 1.3 million m3 in the first five months, 54 percent more than the same period last year. Imports of lumber showed modest growth in the first five months, up by 10.32 percent in volume and 5.04 percent in value over the same period of 2002. Softwood lumber during the same period increased 27 percent over the same period of last year, while temperate hardwood and tropical hardwood lumber increased at a slower pace -- 1.66 percent and 17.9 percent, respectively. Imports of veneer continued to drop in the first five months of 2003, but plywood imports grew rapidly to 361,739 m3 and valued at US$167 million, which are increase of 55.26 percent in volume and 105 percent in value over the first five months of 2002. Increasing demand for high-grade plywood in domestic decoration market was the driving force behind these increases.

China's exports of all wood products in 2002 also grew. The pattern remained the same as in previous years, i.e., growth was stronger for heavily processed products than primary products. Exports of logs dropped to 11,105 m3 in 2002, down 37.4 percent over 2001. This pace continued in the first five months of 2003. Lumber exports in 2002 were 431,021 m3, down by a marginal rate of 0.64 percent over 2001. Preliminary statistics for the first five months of 2003 showed a 22 percent increase in lumber exports. Export of veneer and plywood in 2002 were 69,843 metric tons and 1,792,899 m3, up by 48.99 percent and 85.11 percent over the previous year, respectively. Rapid growth in the wood panel industry, and improved product quality, contributed to this growth. This growth continued in the first five months of 2003 and is forecast to continue for the foreseeable future. South Korea and Japan were the top two markets for Chinese plywood. They grew by 57 percent and 125 percent in 2002, respectively. Japanese producers tend to favor thick plywood production, while plywood with thickness of less than 6mm is mainly from imports. China Customs data for the first five months of 2003 showed a slower growth of plywood exports to these two markets. Most noticeable is the rapid growth in plywood exports to the U.S., which increased 171 percent during calendar year 2002 and 108 percent as compared with the first five months of 2003.

Outlook

The outlook for imports of U.S. wood products remains strong. In 2002, total exports of U.S. wood products (HS#44) to Mainland China reached US$224 million, up by 60 percent on an annual basis. American hardwood lumber, logs, and veneer continued to dominated U.S. wood exports to China, valued at $84 million, $48 million, and $31 million, respectively. Softwood veneer grew the fastest in 2002 and continued to grow during the first four months of 2003, albeit in relatively low quantities. The rapid growth in hardwood products is indicative of the demand for high-quality wood products for interior decoration. This is likely to remain the best market prospect for U.S. wood products in the near future. Continued growth in real estate development contributed to the demand for wood products for interior decoration and improvement. Chinese furniture manufacturers and homeowners are showing increased interest in American hardwood species, such as maple, walnut, and cherry. The use of softwood in furniture manufacturing and floorings creates new opportunity for American softwood products as well. Imports of U.S. panel products in 2002, particularly for plywood, grew rapidly, although the US share remains small. China's Customs data during the first five months of 2003 show continued growth, except for imports of U.S. particleboard, which dropped by 60 percent over the same period of 2002.

Policy

Tariff rates continued to decrease in 2003 in accordance with China's World Trade Organization accession agreement. The average tariff on timber, pulp and paper products is 7 percent in 2003. The tariff on logs and lumber has been zero since January 1, 1999. The tariff on panel products continued to decrease at different rates, depending on the type of product. Using 2003 tariff rates, average import tariff on veneer, particleboard, fiberboard, and plywood fell to 5 percent, 7.2 percent, 7 percent, and 10 percent, respectively. The tariff on furniture was reduced to 7.3 percent in 2003 from 11 percent in 2002.

A 13 percent Value-added tax (VAT) continued to apply to logs, while the VAT for other processed wood products is 17 percent. A full VAT rebate still is available for re-exported wood products.

As the table below shows, in addition to lowering its tariff rates, China also expanded the number of product categories and related codes in its tariff schedule.

Product	Old # Lines	New # Lines
Logs	12	25
Sawn wood	13	19
Veneer	16	19
Plywood	9	12

Addition breakouts for tropical timber were added. These new tariff categories include Okoume, Kapur, Keruing, Merbau and Mengaris. Imports of these species have been growing rapidly in recent years. Temperate coniferous species, whose imports have been increasing very fast in recent years, are recorded individually under the new scheme. The species include Korean pine, Radiata pine, White pine (including Spruce and Fir), and Monterey Larch. Furthermore, exclusive tariff lines for some temperate broadleaf species are proposed, including Manchurian ash (4403.9950), North America hardwoods (including Cherry, Walnut and Maple) (4403.9960) and other previously unspecified non-coniferous species (4403.9980). Also, a new tariff line was added for impregnated paper laminated flooring.

China’s Ministry of Finance and China’s Customs agency announced in May 2003 that the value added tax (VAT) on 19 products, including newsprint and wood pulp, would be terminated as of June 1, 2003. In order to promote economic development in China’s border regions, the Chinese government reduces by one-half the VAT on all goods entering from border countries, so the reduced tariffs for processed wood products and logs are 8.5 percent and 6.5 percent, respectively. While the U.S. paper industry should benefit from this policy change, this measure does not affect imports of logs and lumber. This preferential tax treatment has helped Russia maintain its position as the dominant supplier of logs and lumber to China.

On July 1, 2002, China imposed new quarantine measures requiring pest-free certification for all imported logs. Sources stated that enforcement of these new measures appears to be proceeding smoothly. Given the similarity in species and the MOU between Russia and China, the new measures have not slowed to flow of logs from Russia in the border regions. Russia does not have its own quarantine facility, so the MOU provides for several large “wood processing zones” in the ports of entry between Russia and Heilongjiang, and Russia and Inner Mongolia, both of which receive large shipments of Russian logs. A quarantine process is done in these wood-processing zones. During the winter, Chinese officials conduct quarantine procedures on the Russian side of the border in the above mentioned entry points and in the summer switch back to the Chinese side.

Competition

China’s strong economic growth, its entry into the WTO, the 2008 Olympic Games in 2008, and the World Expo in 2010 all are expected to increase demand for forest products. Russia, however, may be the primary beneficiary of this increased demand. Currently, Russian logs account for 61 percent of all log imports. The share of Russian softwood logs is even higher -- 88 percent in 2002. Russia’s primary advantage is its close proximity to northeast China, where timber production has been declining since 1998. The advantages of competitive prices and the similarity of Russian and Chinese species will make it difficult for other suppliers to compete with Russian logs. Several large gateway cities in northeast China, such as Suifenhe, Manzhouli, serve as distribution centers for Russian timber as well as the wood processing zones discussed above. Russian timber recently has expanded its market share in the regions beyond northeast China, including the southern province of Guangdong, along the East Coast, and in the Southwest.

China’s imports of logs from New Zealand jumped to 1.64 million m3 in 2002 from 819,795 m3 in 2001, making New Zealand the third largest log supplier. New Zealand pine has been well accepted by Chinese customers, primarily because of its low cost.

In 2002, Canadian softwood lumber exports to China increased by 77 percent in volume on a year-to-year basis. This trend continued in the first five months of 2003. Promotion efforts by the Canadian forest industry through its Shanghai representative office may have contributed to these increases. After the United States imposed a 27 percent countervailing duty on Canadian softwood lumber, the Canadian forest products industry turned to the Chinese market to sell its products.

Brazil and Australia are two rising stars in supplying China's lumber imports, albeit in relatively small quantities. Some Chinese logging companies that are no longer allowed to harvest trees in China have shifted to logging in these countries and they ship the logs back to China. Some growth also has occurred from West African countries.

Imports of hardwood logs and lumber from Europe, particularly Germany, continued to drop in 2002. According to China's Customs data, China imported 507,329 m3 of beech logs and 347,533 m3 of beech lumber in 2002. These quantities represent decreases of 20 percent and 14 percent, respectively, over the previous year. Trade sources indicated that large stocks of beech accumulated in the previous year, which drove prices down sharply. Currently, the price for beech lumber ranges from 1,850 yuan to 5,600 yuan per m3, which is down sharply from over 10,000 yuan per m3 in 1999. A shift in buyers' preferences for other woods also contributed to the decline of beech imports. For the past several years, beech has been the single most popular species for interior decoration and furniture in China, but now consumers tend to choose other species.

The American Hardwood Export Council (AHEC) has been actively promoting American hardwood in China for approximately last ten years from its office in Hong Kong. In 2002 it opened a new office in Shanghai to strengthen its promotion efforts throughout the Mainland. American hardwoods, such as cherry, walnut, maple, red oak and white oak, are very popular in China's interior decoration market. The Hardwood State Export Group (HSEG) has also begun its promotion activities. In August 2002, by using funds from the USDA/FAS Cochran program, HSEG hosted a training program for 15 Chinese importers on American hardwoods. The similar program was proposed for this year.

The American Forest and Paper Association (AF&PA), which represents the U.S. forest products industry, also has expanded its presence in China. Last year it opened an office in Shanghai to augment its main Beijing office. A new general manager over both offices was appointed as well. The Softwood Export Council (SEC), working jointly with AF&PA, has been very active in promoting exports of U.S. softwood products in China.

Construction Sector

Overview

China's economy is expected to grow at 8 percent this year. Rapid economic growth, together with continued urbanization and expectations for improved living standards, will continue to drive demand for housing in the near future.

China's construction sector grew steadily growth in 2002. Preliminary statistics from the State Statistical Bureau (SSB) showed that new housing starts in 2002 were 422.6 million square meters, up by 13 percent over 2001. About 80 percent of this quantity was new residential housing starts. This growth varied by region. New housing starts in the East Coast, Central China, and the western region grew by 21.7 percent, 21.5 percent, and 10.9 percent, respectively. Statistics for the first five months of this year show continued growth of housing starts -- total completed commercial floor space reached 57.9 million square meters, up by 41.4 percent over the same period of 2002. Of this, completed residential floor space rose by 40.9 percent to 48 million square meters, while completed office buildings increased by 10.9 percent.

In recent years, the real estate sector has become one of China's core industries, contributing 1.5 to 2 percentage points to the overall growth rate of the gross domestic product. But a SSB report said a glut of vacant housing has emerged in China. Statistics showed that unoccupied housing in 2002 increased to 125 million square meters, an increase of 16 percent as compared with 2001, and the situation shows no sign of improving. Between January and April 2003, for example, the number of unsold properties grew by 9.6 per cent as compared with the same period last year. The increase was much higher than the 6.4 per cent growth rate witnessed during the same period last year. A SSB official indicated that the growing number of empty housing units is attributable mainly to the large number of new homes coming onto the market. Also, there are too many luxury apartments and villas and not enough affordable apartments.

China's State Development and Planning Commission (SDPC) and SSB jointly conducted surveys of the real estate sector in 35 major cities across China each year. The survey results showed that the average price for commercial housing increased by 3.4 percent in 2002 over the previous year. Within this, the average housing price in Beijing dropped to 4066.7 yuan per square meter (US$490/sqm), thanks to increases in the completion and sale of economical housing. Average housing prices in the eastern coastal provinces grew rapidly. SSB officials indicated that the fast growing demand in those regions contributed the price increases. An improved business environment has attracted large investments in those regions, which has driven up the demand for housing. Statistics for the first five months of 2003 showed continued increases in housing prices. The national average price for commercial housing jumped to 2447 yuan/sqm, up by 7 percent over the same period of last year. Within this, the average residential housing price was 2289 yuan/sqm, up by 9 percent over the first five months of 2002.

Development of the secondary housing market is encouraging. According to MOC, the secondary housing markets in China's 35 major cities have been fully liberalized. Shanghai, for example, has lifted restrictions on the resale of public or low-cost housing. Local governments have taken several measures to further open secondary housing markets, including reducing transaction fees and taxes and increasing the availability of bank loans for pre-owned homes. The secondary housing markets in Shanghai and the surrounding cities are well developed, while those in other cities are catching up. Purchasing pre-owned homes is the first choice for those forced by the government to relocate because their current home or apartment building is slated for demolishment to make way for new development, including for the Olympics. Also, individual investors tend to buy pre-owned homes for rental properties.

Policy

In 2003, MOC's policy priority is to meet the demand for middle and low-income housing. The central government intends to invest 324.1 billion yuan (US$39 billion) in building affordable housing during the 2003-04 period for middle and low-income families. At present, the average living space of more than 50 per cent of urban residents is less than the 2002 average per capita of 22 square meters.

Concurrent with investing in affordable housing, in late February 2003, the Ministry of Land and Resources imposed an emergency restriction on the use of land for building villas. Given that most developers already own large tracts of land, the impact of this policy is expected to be minimal in the near-term.

At the same time, the People's Bank of China, the country's central bank, tightened its mortgage policies. On June 13, 2003, it issued a Circular directing commercial banks to reduce their exposure to real estate loans, beef up credit management, and increase the down payments required from buyers of second and luxury homes. According to the policy, commercial banks only are allowed to lend to homebuyers who want to acquire finished housing, which will reduce purchasing risks and interest burdens for ordinary homebuyers. The high volume of non-performing loans and high vacancy rates for luxury housing reportedly triggered the new policy. While this policy was good news for ordinary homebuyers, enforcement will not be easy because it is difficult to determine and monitor who is buying second homes.

In an effort to better monitor the housing market, the Ministry of Construction has set up a nationwide housing information and monitoring network. The national system will collect and process local and national economic data, which will be incorporated in a report for local housing officials. The system will cover 35 major cities across the nation and is expected to begin operating by the end of 2003. A pilot program for the system will be conducted in 13 major cities. In early June 2003, the system was put into operation in Hangzhou, the capital of East China's Zhejiang Province, where most house prices have surpassed 3,000 yuan (US$361) per square meter.

To speed up industrialization of the housing sector, MOC has been encouraging developers to build fully finished turnkey housing instead of traditional concrete shells. While the government has been pushing this shift for several years, the market only recently has begun to adopt the idea. The major drivers behind this policy are consumer-oriented. Shanghai continued to lead this move. In 2002, Shanghai constructed 30,000 finished homes, ten times of the 2001 figure. The goal for 2003 is to build 100,000 finished homes, or 50 percent of new housing to be built pre-decorated. The city government plans to convert all new housing construction to a finished basis by 2005.

When China became a member of the WTO, it committed to open its construction sector within three years of signing the accession agreement. In September 2002, to effectuate that commitment, MOC and the former Ministry of Foreign Trade and Economic Cooperation (now the Ministry of Commerce) jointly issued Administrative Rules for Foreign Invested Construction Enterprises and Administrative Rules for Foreign Invested Architecture Firms. According to these two rules, wholly foreign owned construction companies and architecture design firms would be permitted to operate in China as of December 1, 2002. More foreign design firms and construction giants are expected to enter the Chinese market as a result of these new rules.

Trade

China's booming economy and real estate market have attracted many foreign investors. Hong Kong investors tend to specialize in the initial development phase and western companies specialize in providing architectural design support. Concurrent with the booming real estate market, there has been a rapid expansion of foreign home furnishing and building supply retailers in the major cities. These include the UK's B&Q, Germany's OBI, and the US's Home Depot. With the increase competition, however, profit margins are getting narrower.

In 2001 the U.S.-based Evergreen Building Products Association (EBPA) started its 3-year market development and trade promotion program, a Market Development Program for US Building Materials. This program, which is funded by the US Department of Commerce and USDA/FAS, offers an integrated approach to export growth of US building materials by addressing both the critical needs of both suppliers and buyers. Activities focus on creating market demand for US building materials in China as well as outreach and education of American exporters. The program will provide opportunities for US companies to promote products for use in residential construction in China. The program targets residential housing and building materials markets in China, and more specifically the regional markets of Beijing, Shanghai, Guangzhou and Chengdu. With joint efforts with AF&PA and SEC, their activities, including technical seminars and trade missions, focus on promoting exports of primary wood products, secondary-manufactured wood products, non-wood building materials and mechanical systems.

In recent years, imports of building materials and increased interest in wood-framed houses, has pushed China to pay increasing attention to the development of wood framed houses. To that effect, MOC has drawn up standards and codes relevant to timber structures. With technical input from AF&PA and the Canadian forest products industry, MOC finished revising its building codes and published them as draft regulation GBJ5. Construction codes for wood frame housing are included within GBJ5. The final draft of GBJ5 was sent to MOC for approval, which is expected very soon. Another important regulatory development occurred in July 2002 when MOC published the regulation, "Construction Quality Acceptance of Timber Structures" (GBJ206). This regulation gives the green light for more wood frame houses to be built in China. MOC has approved a demonstration project for wood framed construction in Beijing. It is considered a pilot project to display modern wood construction technology, verify the workability of GBJ5 and GBJ206, and to promote the scientific and sustainable use of forest resources. Changes to the codes may be necessary, based on the experiences drawn from this pilot project.

CONSTRUCTION MARKET			
Country:			
Report Year:	**2002**	**2003**	**2004**
Total Housing Starts (thousand units)	23,073	25,150	27,664
--of which, wood frame (thousand units)	12	13	14
--of which, steel, masonry, other materials (thousand units)	23,061	25,137	27,650
--of total starts, residential (thousand units)	17,416	19,506	21,847
----of residential, single family (thousand units)	1,742	1,951	2,185
----of residential, multi-family (thousand units)	15,675	17,556	19,662
--of total starts, commercial (thousand units)	5,657	5,643	5,818
Total Value of Commercial Construction Market ($US million)	58,587	64,091	73,704
Total Value of Repair and Remodeling Market ($US million)	n/a	n/a	n/a

Furniture and Interior Sector

Overview

Driven by China's booming economy and ongoing housing reforms, demand for furniture and interior decoration products, such as flooring, cabinets, wall paneling and molding grew rapidly last year and is likely to continue growing in the foreseeable future. At present, the average per capita spending on furniture in China is relatively low, but increased disposable income is expected to increase those expenditures. New homeowners are expected to spend more on interior decoration than they did while living on their previous government provided houses. China's Building Decoration Association estimates that the total value of interior decoration market was US$43 billion in 2002. This is expected to grow 25 percent annually in the near future.

According to China's Furniture Association (CFA), total output of China's furniture industry reached 165 billion yuan (US$19.8 billion) in 2002, which is 17.8 percent more than in 2001. In the next few years, an annual growth rate of 12-15 percent is expected. Cheap labor and raw materials, together with an improved business environment after China's entry into WTO, give

China a strong competitive advantage in the manufacture of furniture. Consequently, the sector is attracting considerable foreign investment.

According to CFA, currently there are more than 50,000 furniture mills in China. Most are private or collectively owned small-scaled operations. Furniture factories are concentrated in four regions: 1) South China's Zhujiang (Pearl River) Delta (Guangdong province in particular); 2) Changjiang (Yangtze River) Delta (Shanghai and surrounding provinces); 3) North China (Beijing & Tianjin); and, 4) Northeast China (Shenyang, Dalian). While furniture manufacturers from Hong Kong and Taiwan first moved their production facilities to Guangdong Province in 1980s, more furniture giants from other countries have established their presence in China, including other than those previously mentioned provinces. Industry sources indicate that investments from the United States and Germany are concentrated in Shanghai and its neighboring provinces of Jiangsu and Zhejiang, while investments from Japan and South Korea focus in Dalian, Shanghai, and Dongguan of Guangdong Province.

Within the furniture sector, there are a few niches, namely kitchen, office, and multifunctional furniture that are expected to be more profitable than other kinds of furniture. With the booming housing market, high-quality furniture will be needed to fill the new office and residential space across the country. Sales of office furniture are expected to grow at 25-30 percent over the next few years.

The Chinese wood flooring market is growing hand in hand with China's booming construction sector. Currently, wood-flooring accounts for only 10 percent of China's flooring market. This share, however, is expected to increase to 15-20 percent in the next 3-5 years.

Wood flooring comes in a myriad of types. Solid wood floors are the traditional choice of those who like the natural look, but they are seen as expensive and difficult to maintain. Laminated composite floors, which usually have a medium-to-high-density fiberboard layer on the bottom, decorative paper in the middle, and a wear-resistant transparent film on the top, are easy to install and clean, and are waterproof. Laminated solid wood floors, which are made of three or more layers of solid wood, are popular in China because consumers like their appearance and they are easy to install and maintain.

Industry sources indicate that 217.5 million square meters of wood flooring was sold in 2002, of which, sales of solid wood flooring reached 90 million square meters, up by 55 percent over the previous year. The total market value of solid wood flooring was $2.4 billion in 2002. Sales for laminated composite flooring were estimated at 120 million square meters. An overall growth rate of 40 percent is expected during 2003. Official SFA statistics, however, show a much smaller production figure for wood flooring. According to SFA, total production of wood flooring in 2002 was nearly 50 million square meters, a moderate increase of 5 percent over 2001. Production for solid wood flooring, laminated solid wood flooring, laminated composite flooring, and bamboo flooring was 22.5 million square meters, 5.9 million square meters, 8.6 million square meters, and 6.2 million square meters in 2002, respectively. Some small mills were not included in SFA's statistics, resulting in the discrepancy between SFA statistics and industry's estimates.

Solid wood flooring production is concentrated in South and East China where imported lumber is widely used. For example, in Nanxun, a small town in Zhejiang province, there are more than 300 wood flooring manufacturers with a total annual production of 36 million square meters.

New homeowners in major large cities prefer solid wood flooring, while residents in small and medium sized cities or towns use more laminated composite flooring. Competition recently has become fierce in the wood flooring market, resulting in lower prices and greater selection, and better quality, service, and branding. Prices for laminated flooring were between 60 yuan ($7.2) and 200 yuan ($24) per square meter, and flooring in the price range of 80 yuan to 120 yuan is quite popular. Prices of solid wood flooring vary greatly -- from 140 yuan ($17) to 500 yuan ($60) per square meter -- based on the species of wood used.

Due to limited Chinese forest resources, the Chinese government encourages development of laminated solid wood flooring, which utilizes low-grade and small-diameter wood and wood from fast-growing species, and laminated composite flooring which, uses wood-based panels such as HDF, MDF, or particleboard. Production capacity of laminated composite flooring has expanded rapidly during the last ten years.

Trade

China is a growing furniture importer, due in part to lower import tariffs resulting from its entry into the WTO. On January 1, 2003, China's import tariff for wood furniture was cut to 7.3 percent, compared with 11 percent in 2002. Imports of furniture in 2002 reached US$90 million, up by 15 percent over 2001. Wood furniture imports increased to $36.6 million, up by 35 percent over the previous year. According to Chinese Customs data, China's furniture imports grew 45 percent for the first five months of 2003.

Currently, imports represent only 1 percent of domestic furniture sales, and growth has been uneven. Major suppliers include Sweden, Germany, Italy, Spain, and the United States. IKEA succeeded in entering China as early as

1998. Chinese consumers seem to like its modern styled furniture and wide selection. IKEA keeps its costs low by using domestic raw materials and manufacturing locally. Following the success of IKEA, one-stop furnishing stores such as German OBI, British B&Q, American Home Depot, and French Lily Marlene have all established a presence in China. Last December, Ethan Allen Interiors, the largest U.S. furniture retailer set up its first brand store in Tianjin, in cooperation with local furniture giant, Markor International. This year stores in Beijing and Urumqi are scheduled to follow.

China's furniture imports, however, are miniscule compared to its exports, which are huge and continue to grow rapidly. In 2002 they reached US$5.4 billion, up by 35 percent over the previous year. Chinese Customs data for the first five months of 2003 showed a growth rate of 30 percent. The China's Furniture Association (CFA) set a goal for its industry -- that Chinese furniture exports will account for 20 percent of the world furniture trade. According to the CFA, furniture exports will grow steadily for approximately the next 10 years or so. Industry sources expect the composition of those exports will change in the near future. More furniture made of wood panels, metal, and high-end furniture will be exported. Customs data for 2002 showed this trend already has begun. Exports of wood furniture increased by 46 percent over 2001 to $2.7 billion. The government encourages furniture exports in several ways. It provides VAT rebates on imported wood that is used to produce furniture for export. Local governments also have provided incentives to encourage the furniture industry. They've established duty-free zones, developed low-cost industrial parks, and introduced low interest loans to small mills.

Guangdong Province continues to dominate the nation's furniture export market. In 2002, furniture exports from Guangdong totaled US$2.7 billion, up by 38 percent over 2001, and accounts for 50 percent of China's total furniture exports.

Since 2000, China has been the No.1 furniture exporter to the U.S. According to Chinese Customs data, China exported $2.8 billion of furniture to the U.S. in 2002, up by 39 percent over 2001.

Wood furniture is the fastest growing sector. It accounted for up 50 percent of the export value. Chinese consumers' increasing disposable incomes are driving demand for high quality products, including high-grade wood products. The variety of species imported has been growing. Furniture made of American hardwood species, such as walnut, red oak, cherry, and tropical species of teak and rosewood, have become well accepted by upper-income homeowners. Industry sources indicate that a large percentage of imported U.S. hardwoods are used to produce high-end furniture that is re-exported to the United States. The pattern is expected to continue in the foreseeable future.

FURNITURE & INTERIORS MARKET			
Country: P. R. China			
Report Year:	2002	2003	2004
Total Residential Housing Starts (number of units)	17,416,282	19,506,236	21,846,985
Total Number of Households (thousand units)	358,740	363,045	366,675
Furniture Production ($US million)	19,880	22,265	25,605
Total Furniture Imports ($US million)	90	110	127
Total Furniture Exports ($US million)	5,362	6,970	8,712
Interiors Market Size ($US million)	43,373	54,217	67,771

Material Handling Sector

Overview

There has been a lack of statistics on China's material handling sector. Official statistics on wood packing material are not available because it is such a small part of the total forest products industry. Nonetheless, to keep track of each packaging segment, China's Packaging Technology Association recently established a statistical division. Statistics on uses of each major material category are expected to be available by the end of 2003 or early 2004. Industry sources indicated the use of wood packing material is likely to continue shrinking, particularly for use of solid wood packing material in exports, partly because the Chinese government is encouraging the use of wood substitutes to save its forest resources. Quarantine requirements for wood packing materials imposed by U.S., Canada, and EU also have discouraged Chinese companies from using solid wood for packing material in exports. Industry sources indicate that companies are making increased use of honeycomb boards, recycled plastic pallets, and bamboo pallets. A new type of pallet made of a composite of plastics and wood fiber is highly promoted by the industry. The shift to these wood substitutes, however, is occurring slowly. Wood currently is and is likely to remain the dominant packing material for domestic use in the near future. A survey of 300 companies by China Federation of Logistics and Purchasing showed that there currently are 70 million pallets used in China, of which wood pallets account for 90 percent.

On June 28, 2002, China issued the Emergency Quarantine Measures on Wood Packing Materials originated in the EU. These measures are similar to those measures China imposed on U.S. and Japanese wood packing materials under AQSIQ Notice #33, which went into effect on January 1, 2000. They were implemented to prevent the spread of dangerous forest pests such as Cerambycidae, Scolytidae, Bostrychidae, and Rhinotermitidae from EU countries. They took effect on October 1, 2002. Shipments from the EU to China must either present a "Declaration of Non-wood Packing Material", or provide a Phytosanitary Certificate describing the packing materials and indicating that the packing material has been properly treated. Acceptable treatments include fumigation with methyl bromide and heat treatment. For further information, visit AQSIQ's website at WWW.AQSIQ.gov.cn.

Material Handling Market Strategic Indicator Table

Country: P.R. China			
Report Year:	**2002**	**2003**	**2004**
Total Value of Industrial Output ($US million)	289,157	31,220	34,040
New Pallet Production (million units)	n/a	n/a	n/a

Statistical Tables

General Trade

Table 1. Imports of Major Wood Products

CHINESE TRADE IN MAJOR WOOD PRODUCTS				
IMPORTS	Units	2001	2002	Yearly Change (%)
Softwood Logs	1,000CM	9,142	15,780	73%
Temperate Hardwood Logs	1,000CM	4,990	6,276	26%
Tropical Hardwood Logs	1,000CM	2,731	2,273	-17%
Total logs	1,000CM	16,863	24,329	44%
Softwood Lumber	1,000CM	640	1,189	86%
Temperate Hardwood Lumber	1,000CM	2,698	3,087	14%
Tropical Hardwood Lumber	1,000CM	702	1,120	60%
Lumber	1,000CM	4,040	5,396	34%
Softwood Plywood	1,000CM	162	155	-4%
Temperate Hardwood Plywood	1,000CM	91	116	27%
Tropical Hardwood Plywood	1,000CM	76	79	4%
Plywood	1,000CM	329	350	6%
Softwood Chips	Metric Tons	315	1,264	301%
Hardwood Chips	Metric Tons	3,281	51,022	1455%
Total chips	Metric Tons	3,596	52,286	1354%
Fiberboard	Metric Tons	749,095	876,316	17%
MDF	Metric Tons	342,634	517,442	51%
Particleboard	Metric Tons	250,939	383,357	53%
OSB	Metric Tons	7,114	41,001	476%
Pulp Wood	Metric Tons	4,676,680	4,875,166	4%
Continuously Shaped Wood	Metric Tons	13,000	23,416	80%
Railway Ties	1,000CM	18	88	389%
Softwood Poles	Metric Tons	15,930	18,727	18%
Hardwood Poles	Metric Tons	11,916	13,263	11%
Total poles	Metric Tons	27,846	31,990	15%
Softwood Veneer	Metric Tons	33,086	61,990	87%
Temperate Hardwood Veneer	Metric Tons	122,613	103,599	-16%
Tropical Hardwood Veneer	Metric Tons	94,380	49,405	-48%
Total Veneer	Metric Tons	250,079	214,994	-14%

Source: China's Customs

Table 2. Exports of Major Wood Products

CHINESE TRADE IN MAJOR WOOD PRODUCTS				
EXPORTS	Units	2001	2002	yearly Change (%)
Softwood Logs	1,000CM	1	0	-100%
Temperate Hardwood Logs	1,000CM	17	11	-35%
Tropical Hardwood Logs	1,000CM	0	0	
Total Logs	1,000CM	18	11	-39%
Softwood Lumber	1,000CM	83	99	19%
Temperate Hardwood Lumber	1,000CM	346	322	-7%
Tropical Hardwood Lumber	1,000CM	4	10	150%
Total Lumber	1,000CM	433	431	0%
Softwood Plywood	1,000CM	386	666	73%
Temperate Hardwood Plywood	1,000CM	29	47	62%
Tropical Hardwood Plywood	1,000CM	149	411	176%
Plywood	1,000CM	564	1,124	99%
Softwood Chips	Metric Tons	6,361	23	-100%
Hardwood Chips	Metric Tons	1,764,999	1,559,892	-12%
Total Chips	Metric Tons	1,771,360	1,559,915	-12%
Fiberboard	Metric Tons	18,846	56,413	199%
MDF	Metric Tons	8,152	38,679	374%
Particleboard	Metric Tons	16,240	33,116	104%
OSB	Metric Tons	125	2,216	1673%
Pulp Wood	Metric Tons	5,771	4,614	-20%
Railway Ties	1,000CM	17	18	6%
Continuously Shaped Wood	Metric Tons	78,056	99,846	28%
Softwood Poles	Metric Tons	2,004	3,337	67%
Hardwood Poles	Metric Tons	4,914	8,193	67%
Total Poles	Metric Tons	6918	11,530	67%
Softwood Veneer	Metric Tons	1,420	1,410	-1%
Temperate Hardwood Veneer	Metric Tons	35,956	44,509	24%
Tropical Hardwood Veneer	Metric Tons	9,503	23,924	152%
Total Veneer	Metric Tons	46,879	69,843	49%

Source: China's Customs

Table 3. Wood Imports by Origin

HS Code:44	Units:	Million of US Dollars		% Change
Country	2000	2001	2002	02/01
Russia	391.19	598.83	1058.66	76.79
Indonesia	719.99	701.05	545.63	-22.17
Malaysia	637.37	396.23	488.27	23.23
United States	140.13	166.51	261.99	57.34
Gabon	225.09	209.17	186.53	-10.83
Germany	397.75	258.99	184.81	-28.64
Thailand	102.59	117.02	179.69	53.55
New Zealand	80.04	104.85	173.53	65.5
Papua New Guinea	102.50	103.39	124.89	20.79
Myanmar	80.81	89.15	98.23	10.18
Sub-total	2877.45	2745.20	3302.22	20.29
World Total	3716.07	3466.88	4139.38	19.4

Source: China's Customs

Table 4. Wood Exports by Destination

HS Code: 44	Units:	Millions of US Dollars		% Change
Country	2000	2001	2002	02/01
Japan	769.98	822.85	916.91	11.43
United States	412.76	508.83	700.54	37.68
Hong Kong	216.26	211.21	238.49	12.92
Korea, South	145.02	161.67	211.55	30.85
United Kingdom	55.35	70.53	98.72	39.97
Taiwan	86.80	78.24	90.63	15.83
Germany	53.35	58.96	60.87	3.24
Netherlands	48.86	48.57	55.17	13.59
Canada	24.78	27.02	45.89	69.83
Spain	31.38	33.63	39.80	18.33
Sub-total	1844.55	2021.52	2458.58	21.62
World Total	2105.47	2307.15	2831.19	22.71

Source: China's Customs

Table 5. Tariffs and Taxes

FOREST PRODUCT TARIFFS AND TAXES (percent)						
Country: P.R. China	Product Description	Tariff for 2002	Tariff for 2003	Other Import Taxes/ Fees	Total Cost of Import	Export Tax
Report Year:	2002			VAT		
4401	Fuel wood, chips & sawdust, etc.	0	0	17	17.0	0
4403	Wood in the rough	0	0	13	13.0	0
*44032010	Korean pine and camphor pine		0	13	13.0	0
*44032020	White pine (spruce and fir)		0	13	13.0	0
*44032030	Radial pine		0	13	13.0	0
*44032040	Larch		0	13	13.0	0
*44032090	Other		0	13	13.0	0
*44034920	Aukoumed klaineana		0	13	13.0	0
*44034930	Keruing		0	13	13.0	0
*44034940	Kapur		0	13	13.0	0
*44034950	Mengaris		0	13	13.0	0
*44034960	Mengaris, kempas		0	13	13.0	0
*44034970	Wood of Anisopter spp.		0	13	13.0	0
*44039950	Japanese ash		0	13	13.0	0
*44039960	North American broadleaf hardwood (including cherry, black walnut and maple)		0	13	13.0	0
*44039980	Other, temperate zone, not elsewhere specified		0	13	13.0	0
4404	Poles etc.	8	8	17	25.0	0
4405	Wood wool, wood flour	8	8	17	25.0	0
4406	Sleepers	0	0	17	17.0	0
4407	Sawn wood >6mm thick	0	0	17	17.0	0
*44071010	Korean pine and camphor pine		0	17	17.0	0
*44071020	White pine (spruce and fir)		0	17	17.0	0
*44071030	Radial pine		0	17	17.0	0
*44071040	Douglas fir		0	17	17.0	0
*44071090	Other		0	17	17.0	0
*44072920	Acajou d'afrique, sapele		0	17	17.0	0

*44072930	Merban		0	17	17.0	0
*44079930	North American broadleaf hardwood (including cherry, black walnut and maple)		0	17	17.0	0
						0
*44079980	Other, temperate zone		0	17	17.0	0
						0
4408	Coniferous veneer sheets					0
44081011	Of laminated wood of plywood	10	8	17	25.0	0
44081019	Other	4	4	17	21.0	0
44081020	Coniferous sheets for plywood	4	4	17	21.0	0
44081090	Other coniferous sheets	4	4	17	21.0	0
	Veneer sheets					0
44083111	Dark Red Meranti, Light Red Meranti and Meranti Bakau	10	10	17	27.0	0
	Veneer sheets: Of laminated wood of plywood					0
44083119	Other	4	4	17	21.0	0
44083120	Tropical sheets for plywood	4	4	17	21.0	0
44083190	Other tropical sheets	4	4	17	21.0	0
	Other tropical veneer sheets					
44083911	Of laminated wood of plywood	10	10	17	27.0	0
44083919	Other	4	4	17	21.0	0
44083920	Other tropical plywood sheets	4	4	17	21.0	0
44083990	Other tropical	4	4	17	21.0	0
	Other veneer sheets					
44089011	of laminated wood of plywood	8	6.2	17	23.2	0
*44089012	Other, temperate zone		3.0	17	20.0	0
44089019	Other	3	3	17	20.0	0
44089020	Other sheets for plywood	3		17	17.0	0
*44089021	Other, temperate zone		3	17	20.0	0
*44089029	Other		3	17	20.0	0
44089090	Other	3				
*44089091	Other, temperate zone		3	17	20.0	0
*44089099	Other		3	17	20.0	0
44091000	Continuously shaped wood-coniferous	9	7.5	17	24.5	0
44092000	Non-coniferous	8	6.2	17	23.2	0
4410	Particle board	10	6.8	17	23.8	0
Except for:						0
44109000	Other	12	9.6	17	26.6	0

44111100	Fiberboard >0.8g/cu cm not worked or covered	8	6.2	17	23.2	0
44111900	Other fiberboard >0.8g/cu cm	12	9.6	17	26.6	0
44112100	Fiberboard 0.5-0.8g/cu cm not worked or covered	10	6.8	17	23.8	0
44112900	Other fiberboard 0.5-0.8g	10	6.8	17	23.8	0
44113100	Fiberboard 0.35-0.5g/cu cm not worked or covered	8	7.5	17	24.5	0
44113900	Other fiberboard 0.35-0.5g	8	7.5	17	24.5	0
44119100	Other fiberboard not worked or covered	8	7.5	17	24.5	0
44119900	Other fiberboard	6	4.0	17	21.0	0
4412	Plywood, veneer etc.					
	Plywood consisting solely of sheets of wood					
	Each ply not exceeding 6mm thickness:					
44121300	With at least one outer ply of tropical wood	12	12.0	17	29.0	0
						0
44121400	Other, with at least one outer ply of non-coniferous wood	8		17	17.0	0
*44121410	Other, temperate zone		6.2	17	23.2	0
*44121490	Other		6.2	17	23.2	0
44121900	Other	8	6.2	17	23.2	0
44122200	With at least one ply of tropical wood	10	10.0	17	27.0	0
44122300	other, containing at least one layer of particle board	10	10.0	17	27.0	0
44122900	Other	10		17	17.0	0
*44122910	Other, temperate zone		10.0	17	27.0	0
*44122990	Other		10.0	17	27.0	0
44129200	Other: with at least one ply of tropical wood	10	8.0	17	25.0	0
44129300	Other, containing at least one layer of particle board	10	10.0	17	27.0	0
44129900	Other	8		17	17.0	0
*44129910	Other, temperate zone		6.2	17	23.2	0
*44129990	Other		6.2	17	23.2	0
4413	Densified wood blocks etc.	6	6.0	17	23.0	0
4414	Frames for paintings etc.	20	20.0	17	37.0	0

4415	Packing cases, cable-drums, pallets etc.	10	9.6	17	26.6	0
4416	Casks, barrels, vats etc.	16	16.0	17	33.0	0
4417	Tools, tool handles etc.	16	16.0	17	33.0	0
4418	Builders' joinery, carpentry					
44181000	Windows, French windows and frames	10	6.8	17	23.8	0
4418200	Doors and their frames and thresholds	10	6.8	17	23.8	0
4418300	Parquet panels	10		17	17.0	0
*44183010	Laminated, surface covered with impregnated paper		6.8	17	23.8	0
*44183090	Other		6.8	17	23.8	0
4418400	Shuttering for concrete constructional work	10	7.2	17	24.2	0
4418500	Shingles and shakes	12	9.6	17	26.6	0
4418900	Other	10	6.8	17	23.8	0
4419	Tableware, kitchenware					
4419 0010	One-time chopsticks, of wood	10	7.0	17	24.0	0
44190090	Other	11	7.0	17	24.0	0
4420	Wood marquetry and inlaid wood and others	10.5	7.0	17	24.0	0
Except for:						
44209010	Other: wood marquetry and inlaid wood	4.8	2.4	17	19.4	0
4421	Other articles of wood					
44211000	Clothes hangers	10.5	7.0	17	24.0	0
44219010	Spools, cops, bobbins, sewing thread reels and the like	4	2.0	17	19.0	0
44219090	Other	10.5	7.0	17	24.0	0
9406	Prefabricated buildings	14.8	12.4	17	29.4	0

Roundwood

Table 6. Roundwood Production, Supply and Distribution

PSD Table						
Country: China, People's Republic						
Commodity:	Roundwood		Units:	1,000 cubic meters		
		2002		2003		2004
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Production	42809	41272	43237	40719	0	41940
Imports	20573	24333	25099	26099	0	31154
TOTAL SUPPLY	63382	65605	68336	66818	0	73094
Exports	13	11	12	8	0	8
Domestic Consumption	63369	65594	68324	66810	0	73086
TOTAL DISTRIBUTION	63382	65604	68336	66818	0	73094

Table 7. Roundwood Imports

Roundwood Trade, Imports			
HS-4403			
Country:	P. R. China	Units:	Cubic meters
Imports for	CY 2001		CY 2002
U. S.	110,278	United States	121,612
Others			
Russia	8,765,712	Russia	14,806,281
Gabon	1,124,660	Malaysia	2,121,859
Malaysia	1,511,896	New Zealand	1,641,322
Indonesia	1,137,941	Papua New Guinea	1,127,997
New Zealand	819,795	Gabon	1,088,000
Papua New Guinea	910,193	Liberia	631,416
Equatorial Guinea	468,204	Myanmar	605,259
Germany	397,293	Germany	391,774
Myanmar	557,529	Equatorial Guinea	344,634
France	151,184	Indonesia	250,867
Total for Others	15,844,408	Total for Others	23,009,409
Others not listed	908,564	Others not listed	1,202,086
Grand Total	16,863,250	Grand Total	24,333,107

Source of Data: China Customs

Table 8. Roundwood Exports

Roundwood Trade, Exports			
HS-4403			
Country:	P.R. China	Units:	Cubic meters
Exports for	CY 2001		CY2002
U.S.	0	U.S.	0
Others:		Others:	
Japan	14948	Japan	10550
South Korea	1556	Malaysia	340
Taiwan	549	Taiwan	202
Total for others	17053	Total for others	11092
Others not listed	686	Others not listed	13
Grand Total	17739	Grand Total	11105

Source of Data: China Customs

Logs

Table 9. Softwood Logs Production, Supply and Distribution

PSD Table						
Country:	Peoples China, Republic of					
Commodity:	Softwood Logs			Units:	1,000 cubic meters	
		2002		2003		2004
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Production	27335	26827	27362	26791	0	27594
Imports	12311	15780	16108	15298	0	18357
TOTAL SUPPLY	39646	42607	43470	42089	0	45951
Exports	1	0	1	0	0	1
Domestic Consumption	39645	42607	43469	42089	0	45950
TOTAL DISTRIBUTION	39646	42607	43470	42089	0	45951

Table 10. Softwood Logs Imports

Import Trade Matrix			
Country:	China, People's Republic of	Unit:	Cubic meters
Commodity:	Softwood Logs		
Import for	CY2001		CY2002
United States	48530	United States	60381
Others:		Others:	
Russia	8226853	Russia	13844783
New Zealand	708813	New Zealand	1606334
Malaysia	44062	Australia	75172
North Korea	43955	Myanmar	55984
Myanmar	38908	North Korea	51384
Kazakstan	14024	Kazakstan	29578
Australia	8819	South Africa	26137
Canada	6684	Canada	20149
		Malaysia	664
Total for others	9092118	Total for others	15710185
Others not listed	1347	Others not listed	9752
Grand Total	9141995	Grand Total	15780318

Source of Data: China Customs

Table 11. Softwood Logs Exports

Export Trade Matrix			
Country:	China, People's Republic of	Units:	Cubic Meters
Commodity:	Softwood Logs		
Export for	CY 2001		CY2002
Japan	361	Japan	
South Korea	30	South Korea	
Tonga	76	Taiwan	
Taiwan	74	Russia	
	28	Thailand	
	62	Vietnam	
	15	Spain	
Grand Total	646	Grand Total	0

Source of Data: China Customs

Table 12. Temperate Hardwood Logs Production, Supply and Distribution

PSD Table						
Country:	China,	Peoples Republic of				
Commodity:	Temperate Hardwood Logs			Units:	1000 cubic meters	
		2002		2003		2004
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Production	14127	13619	14410	13437	0	13840
Imports	5588	6276	6314	7532	0	9038
TOTAL SUPPLY	19715	19895	20724	20969	0	22878
Exports	12	11	11	8	0	8
Domestic Consumption	19703	19884	20713	20961	0	22870
TOTAL DISTRIBUTION	19715	19895	20724	20969	0	22878

Table 13. Temperate Hardwood Logs Imports

Import Trade Matrix			
Country:	China, People's Republic of	Units:	Cubic Meters
Commodity:	Temperate Hardwood Logs		
Imports for	2001		2002
United States	37,409	United States	58,935
Others:			
Malaysia	1,207,064	Malaysia	1,567,969
Papua New Guinea	843,069	Papua New Guinea	1,096,923
Russia	538,859	Russia	961,431
Indonesia	519,496	Liberia	624,757
Myanmar(Burma)	440,223	Myanmar	488,284
Germany	396,785	Germany	390,170
Liberia	313,251	Gabon	208,290
France	150,570	Equatorial Guinea	171,339
Gabon	115,250	Solomon Island	155,549
New Zealand	96,820	Congo	109,810
Total for others	4,621,387	Total for others	5,774,522
Others not listed	331,446	Others not listed	442,676
Grand Total	4,990,242	Grand Total	6,276,133

Source of Data: China Customs

Table 14. Temperate Hardwood Logs Exports

Export Trade Matrix			
Country:	China, People's Republic of	Units:	Cubic Meters
Commodity:	Temperate Hardwood Logs		
Exports for	2001		2002
U. S.	0	U. S.	0
Others:		Others:	
Japan	14,587	Japan	10,550
South Korea	1,526	Malaysia	340
Taiwan	473	Taiwan	202
Thailand	100	South Korea	11
Total for Others	16,686	Total for Others	11,103
Others not listed	407	Others not listed	2
Grand Total	17,093	Grand Total	11,105

Source of Data: China Customs

Table 15. Tropical Hardwood Logs Production, Supply and Distribution

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Tropical Hardwood Logs					
		2002		2003		2004
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Production	830	825	820	814	0	820
Imports	2674	2273	2677	3269	0	3759
TOTAL SUPPLY	3504	3098	3497	4083	0	4579
Exports	0	0	0	0	0	0
Domestic Consumption	3504	3098	3497	4083	0	4579
TOTAL DISTRIBUTION	3504	3098	3497	4083	0	4579

Table 16. Tropical Hardwood Logs Imports

Import Trade Matrix			
Country:	China, People's Republic of	Units:	Cubic Meters
Commodity:	Tropical Hardwood Logs		
Import for	2001		2002
United States	24300	United States	0
Others		Others	
Gabon	1009410	Gabon	879104
Indonesia	618445	Malaysia	551902
Equatorial Guinea	448294	Indonesia	183560
Malaysia	298148	Equatorial Guinea	173155
Cameroon	77851	Cameroon	172897
Myanmar	73351	Congo	140056
Papua New Guinea	67124	Myanmar	61000
Congo	45146	Papua New Guinea	31074
Mozambique	14392	Vietnam	13605
		Mozambique	12083
Total for Others	2652161	Total for Others	2218436
Others not listed	54274	Others not listed	54600
Grand Total	2730735	Grand Total	2273036

Source of Data: China Customs

Table 17. Tropical Hardwood Logs Exports

Export Trade Matrix			
Country:	China, People's Republic of	Units:	Cubic Meters
Commodity:	Tropical Hardwood Logs		
Export for	2001		2002
Taiwan	0		
others	0		
Grand Total	0	Grand Total	0

Source of Data: China Customs

Lumber

Table 18. Softwood Lumber Production, Supply and Distribution

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Softwood Lumber					
		2002		2003		2004
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Production	4830	5112	5229	5724	0	6363
Imports	768	1189	960	1522	0	2054
TOTAL SUPPLY	5598	6301	6189	7246	0	8417
Exports	88	99	88	124	0	148
Domestic Consumption	5510	6202	6101	7122	0	8269
TOTAL DISTRIBUTION	5598	6301	6189	7246	0	8417

Table 19. Softwood Lumber Imports

Import Trade Matrix			
Country:	China, People's Republic of	Units:	Cubic Meters
Commodity:	Softwood Lumber		
Import for	CY2001		CY2002
United States	24566	United States	33584
Others:			
Russia	237,084	Russia	456,854
New Zealand	125,914	New Zealand	186,129
Canada	71,875	Canada	127,268
Myanmar	33,048	Indonesia	103,766
Brazil	30,490	Chile	48,970
Finland	25,975	Myanmar	45,533
Chile	19,438	Finland	44,162
North Korea	18,314	North Korea	26,795
Sweden	13,229	Brazil	25,190
Kazakstan	10,781	Kazakstan	16,890
Total for others	586,148	Total for others	1,081,557
Others not listed	28,841	Others not listed	73,751

Grand Total	639555	Grand Total	1,188,892

Table 20. Softwood Lumber Exports

Export Trade Matrix			
Country:	China, People's Republic of	Units:	Cubic Meters
Commodity:	Softwood Lumber		
Exports for	CY2001		CY2002
United States	441	United States	820
Others:			
Japan	70,583	Japan	85,650
South Korea	9,631	South Korea	10,171
Taiwan	1,800	Taiwan	710
Hong Kong	422	Philippines	440
Thailand	389	Vietnam	402
Bangladesh	53	Hong Kong	398
Philippines	47	Canada	116
Total for Others	82,925	Total for Others	97,887
Others not listed	131	Others not listed	287
Grand Total	83,497	Grand Total	98,994

Source of Data: China Customs

Table 21. Temperate Hardwood Lumber Production, Supply and Distribution

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Temperate Hardwood Lumber					
		2002		2003		2004
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Production	3059	3238	3606	3816	0	4168
Imports	2913	3087	3205	3241	0	3727
TOTAL SUPPLY	5972	6325	6811	7057	0	7895
Exports	350	322	367	345	0	380
Domestic Consumption	5622	6003	6444	6712	0	7515
TOTAL DISTRIBUTION	5972	6325	6811	7057	0	7895

Table 22. Temperate Hardwood Lumber Imports

Import Trade Matrix			
Country:	China, People's Republic of	Units:	Cubic Meters
Commodity:	Temperate Hardwood Lumber		
Import for	2001		2002
United States	352,506	United States	563,111
Others		Others:	
Indonesia	832,363	Indonesia	646,638
Thailand	305,277	Thailand	530,296
Malaysia	279,541	Malaysia	318,206
Germany	184,061	Germany	155,376
Canada	115,779	Canada	141,376
Myanmar	91,472	Myanmar	127,062
Romania	79,240	Russia	94,796
Russia	71,341	Romania	80,447
Total for others	1,959,074	Total for others	2,094,197
Others not listed	386,449	Others not listed	429,536
Grand Total	2,698,029	Grand Total	3,086,844

Source of Data: China Customs

Table 23. Temperate Hardwood Lumber Exports

Export Trade Matrix			
Country:	China, People's Republic of	Units:	Cubic Meters
Commodity:	Temperate Hardwood Lumber		
Export for	2001		2002
United States	287	United States	3,463
Others:		Others:	
Japan	208,903	Japan	186,298
South Korea	101,245	South Korea	98,835
Hong Kong	14,324	Taiwan	13,351
Taiwan	8,891	Hong Kong	7,752
Thailand	3,352	Malaysia	1,210
Germany	2,131	Thailand	3,272
Vietnam	1,718	Germany	1,566
Malaysia	1,346	Vietnam	1,359
Indonesia	1,321	Italy	1,264
Total for Others	343,231	Total for Others	314,907
Others not listed	2,960	Others not listed	4,041
Grand Total	346,478	Grand Total	322,411

Source of Data: China Customs

Table 24. Tropical Hardwood Lumber Production, Supply and Distribution

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Tropical Hardwood Lumber					
		2002		2003		2004
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Production	161	170	180	190	0	219
Imports	807	1120	888	1346	0	1817
TOTAL SUPPLY	968	1290	1068	1536	0	2036
Exports	5	10	6	10	0	11
Domestic Consumption	963	1280	1062	1526	0	2025
TOTAL DISTRIBUTION	968	1290	1068	1536	0	2036

Table 25. Tropical Hardwood Lumber Imports

Import Trade Matrix			
Country:	China, People's Republic of	Units:	Cubic Meters
Commodity:	Tropical Hardwood Lumber		
Import for	2001		2002
United States	15941	United States	30097
Others:		Others:	
Indonesia	380214	Indonesia	669327
Malaysia	145091	Malaysia	155640
Brazil	54376	Brazil	78480
Myanmar	39684	Thailand	60268
Thailand	26494	Myanmar	56046
Total for others	645859	Total for others	1019761
Others not listed	40471	Others not listed	70414
Grand Total	702271	Grand Total	1120272

Source of Data: China Customs

Table 26. Tropical Hardwood Lumber Exports

Export Trade Matrix			
Country:	China, People's Republic of	Units:	Cubic Meters
Commodity:	Tropical Hardwood Lumber		
Export for	2001		2002
United States	0	United States	232
Others:		Others:	
Hong Kong	1748	Hong Kong	6441
Japan	1161	Taiwan	1150
Taiwan	688	Mozambique	675
U.A.E	99	Japan	535
Total for others	3696	Total for others	8801
Others not listed	135	Others not listed	583
Grand Total	3831	Grand Total	9616

Source of Data: China Customs

Plywood

Table 27. Softwood Plywood Production, Supply and Distribution

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Softwood Plywood		Units:	1000 cubic meters		
		2002		2003		2004
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Production	1719	1703	1787	1957	0	2230
Imports	152	155	116	189	0	217
TOTAL SUPPLY	1871	1858	1903	2146	0	2447
Exports	501	666	677	891	0	1192
Domestic Consumption	1370	1192	1226	1255	0	1255
TOTAL DISTRIBUTION	1871	1858	1903	2146	0	2447

Table 28. Softwood Plywood Imports

Import Trade Matrix			
Country:	China, People's Republic of	Units:	Cubic Meters
Commodity:	Softwood Plywood		
Imports for	CY2001		CY2002
United States	60	United States	44
Others:		Others:	
Indonesia	108,388	Indonesia	108,113
Malaysia	31,851	Malaysia	25,756
Cambodia	9,483	Cambodia	5,150
Taiwan	3,753	Taiwan	3,477
Singapore	2,065	Canada	3,073
Canada	1,428	Japan	1,913
South Korea	1,138	Thailand	1,634
Russia	885	Russia	1,564
China	536	Germany	1,402
Total for others	159,527	Total for others	152,082
Others not listed	1,930	Others not listed	3,367
Grand Total	161,517	Grand Total	155,493

Source of Data: China Customs

Table 29. Softwood Plywood Exports

Export Trade Matrix			
Country:	China, People's Republic of	Units:	Cubic Meters
Commodity:	Softwood Plywood		
Exports for	CY2001		CY2002
United States	25,668	United States	64,372
Others:			
South Korea	117,080	South Korea	163,886
Hong Kong	91,186	Hong Kong	104,154
Japan	26,115	Japan	62,119
Taiwan	25,244	Saudi Arabia	50,286
Iraq	17,972	Yemen	46,131
Israel	17,936	Taiwan	32,015
Singapore	10,722	Israel	26,735
Yemen	10,251	U.A.E	22,552
Total others	316,506	Total others	507,878
Others not listed	43,994	Others not listed	93,868
Grand Total	386,168	Grand Total	666,118

Source of Data: China Customs