

Foreign Trade of Forest Products in China: Development and Strategy

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1. International economic background for forest product trade

Table 1. World economic growth trend in 2011–2014 (%)

	2011	2012	2013	2014
世界经济	3.9	3.2	2.9	3.6
发达国家	1.7	1.5	1.2	2.0
美国	1.8	2.8	1.6	2.6
欧元区	1.5	-0.6	-0.4	1.0
日本	-0.6	2.0	2.0	1.2
新兴市场和发展中国家	6.2	4.9	4.5	5.1

Source: IMF, World Economic Outlook, Oct. 2013.

1. International economic background for forest product trade

Table 2. World trade growth trend in 2011-2014 (%)

	2011	2012	2013	2014
世界货物贸易量	5.4	2.3	2.5	4.5
出口：发达国家	5.1	1.1	1.5	2.8
发展中国家（包括独联体国家）	5.9	3.8	3.6	6.3
进口：发达国家	3.2	0.0	-0.1	3.2
发展中国家（包括独联体国家）	8.1	4.9	5.8	6.2

Source: IMF, World Economic Outlook, Oct. 2013.

1. International economic background for forest product trade

Table 3. Unemployment rate in main developed economies in 2012–2014 (%)

	2012	2013	2014
发达经济体	8.0	8.1	8.0
美国	8.1	7.6	7.4
欧元区	11.4	12.3	12.2
日本	4.4	4.2	4.3
英国	8.0	7.7	7.5
加拿大	7.3	7.1	7.1

Source: IMF, World Economic Outlook, Oct. 2013.

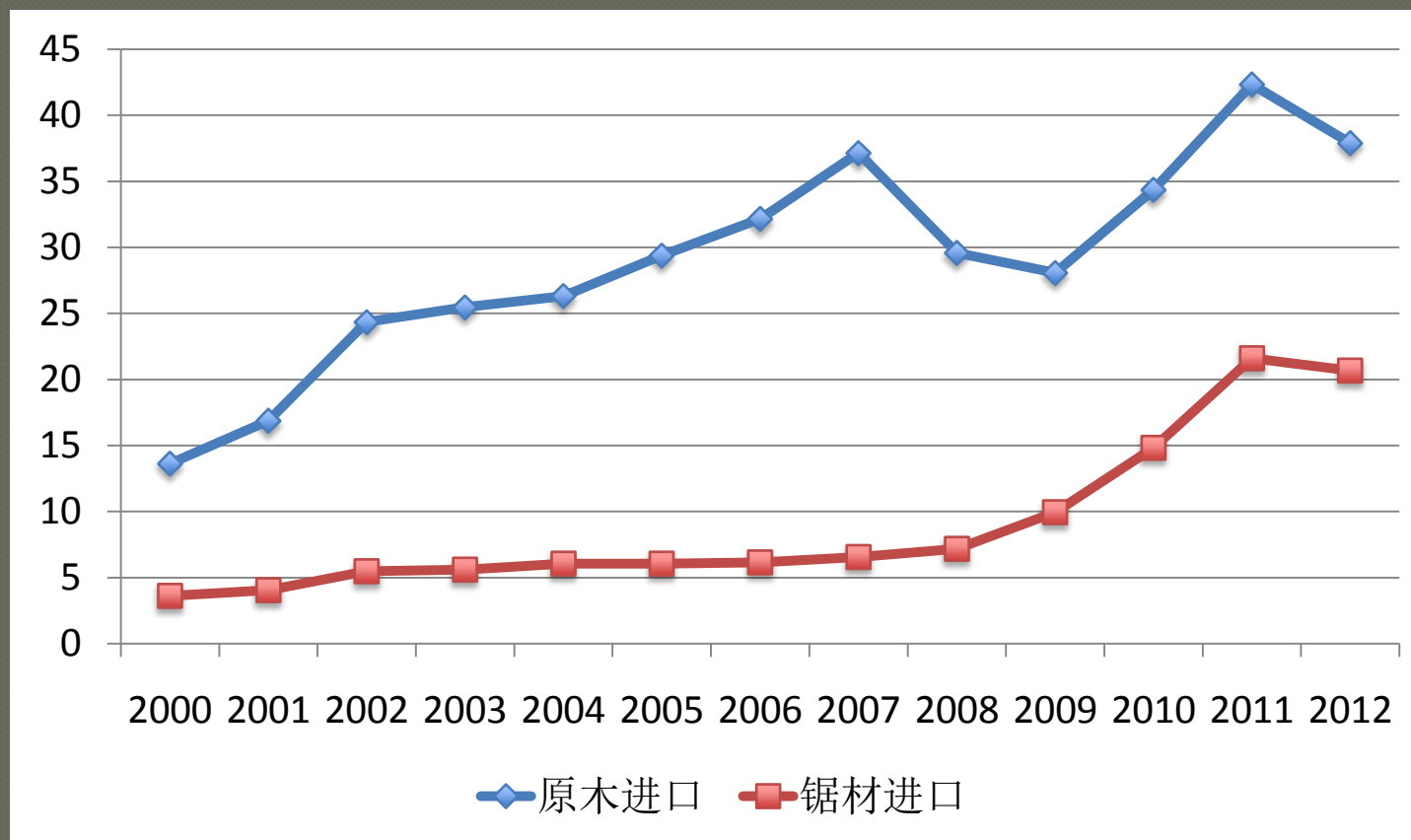


Future Trade Trend

The 9th monitoring report on trade restriction measures released by the WTO shows that from Oct. 2012 to May 2013, members had taken 109 trade restriction measures, while new measures numerically reach its peak after the economic downturn and the trade remedy investigation targeted anti-dumping is still the dominant means. In the context of continuing slow world economic recovery, the trade protectionism motivated to stimulate the industrial recovery has been on the rise, imposing largest impacts on manufacturing. The uncertainty in trade development trend is still high.

2. Status Quo of forest product trade in China

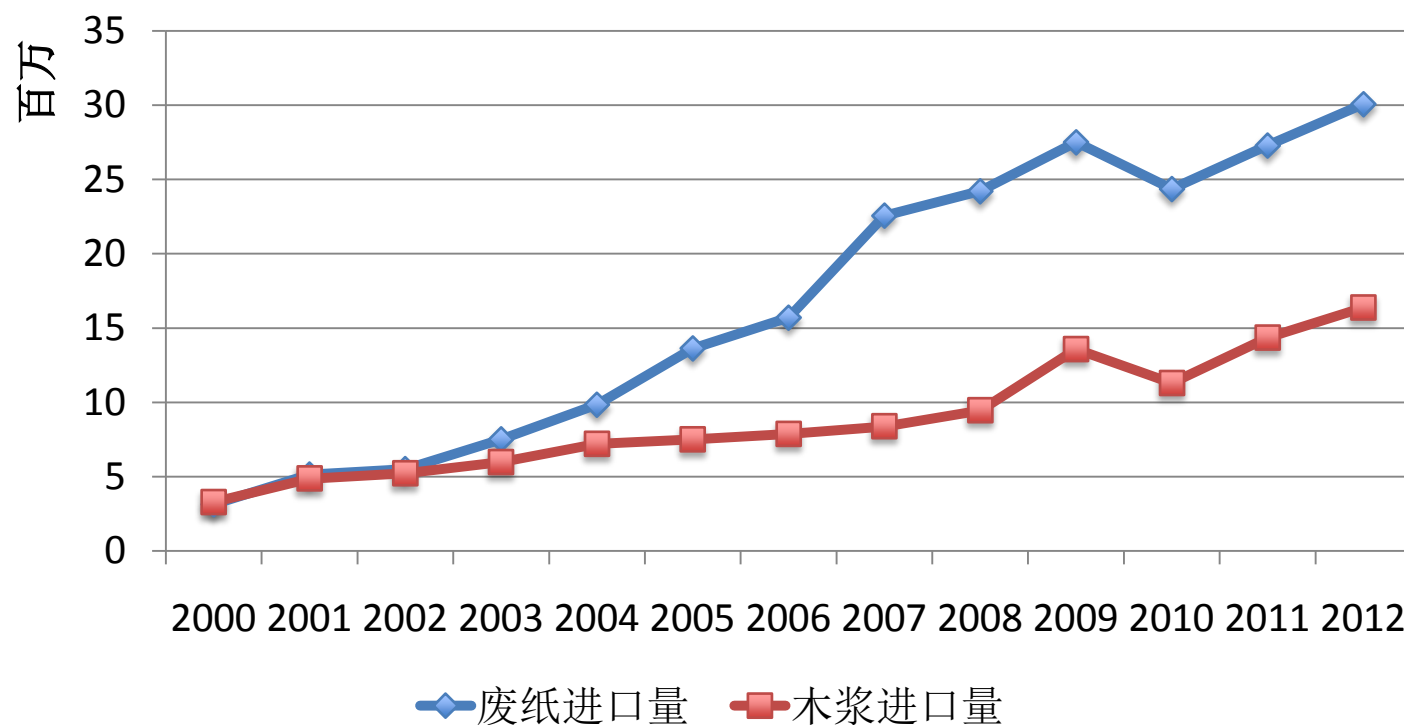
Forest product trade growth in China — Import



Unit: Million m³

2. Status Quo of forest product trade in China

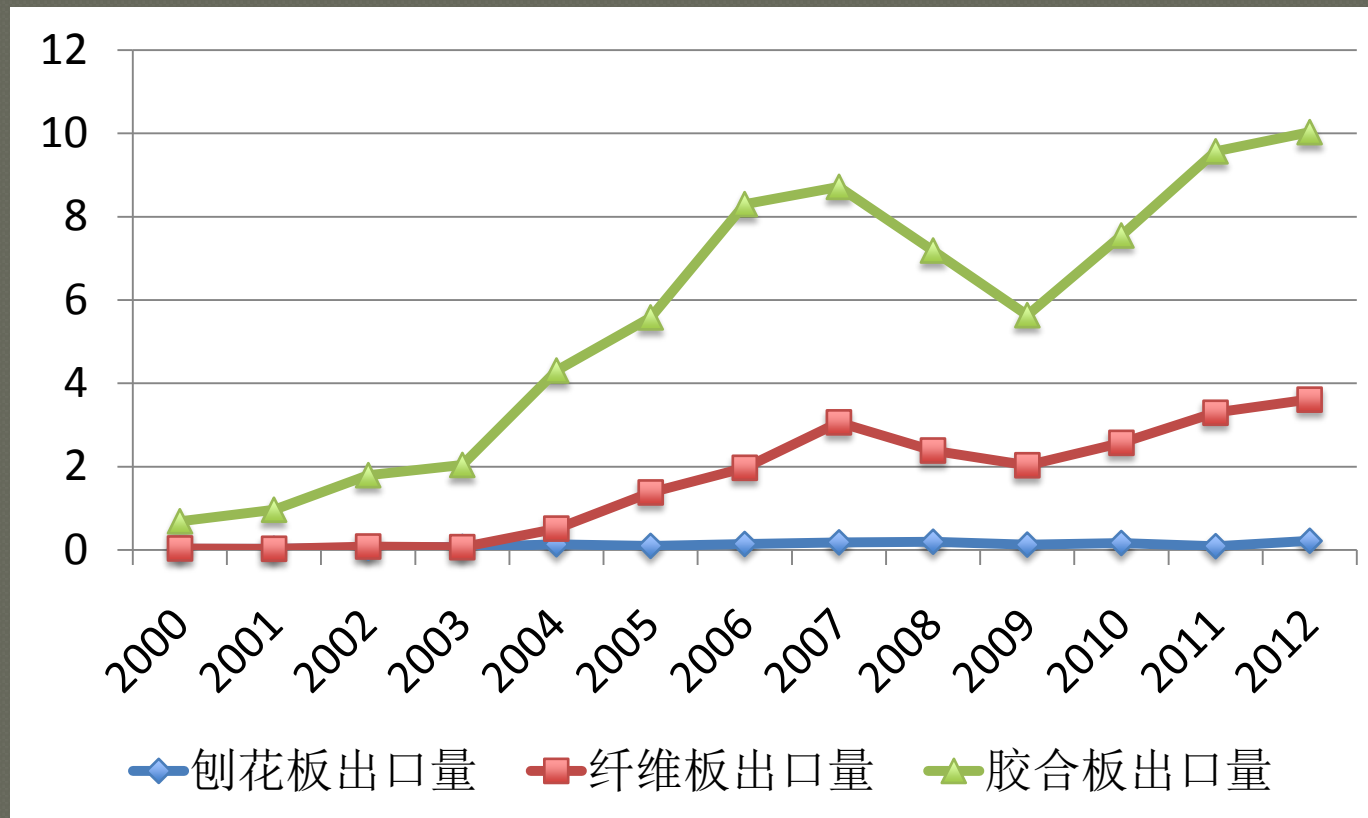
Forest product trade growth in China —Import



Unit: Million t

2. Status Quo of forest product trade in China

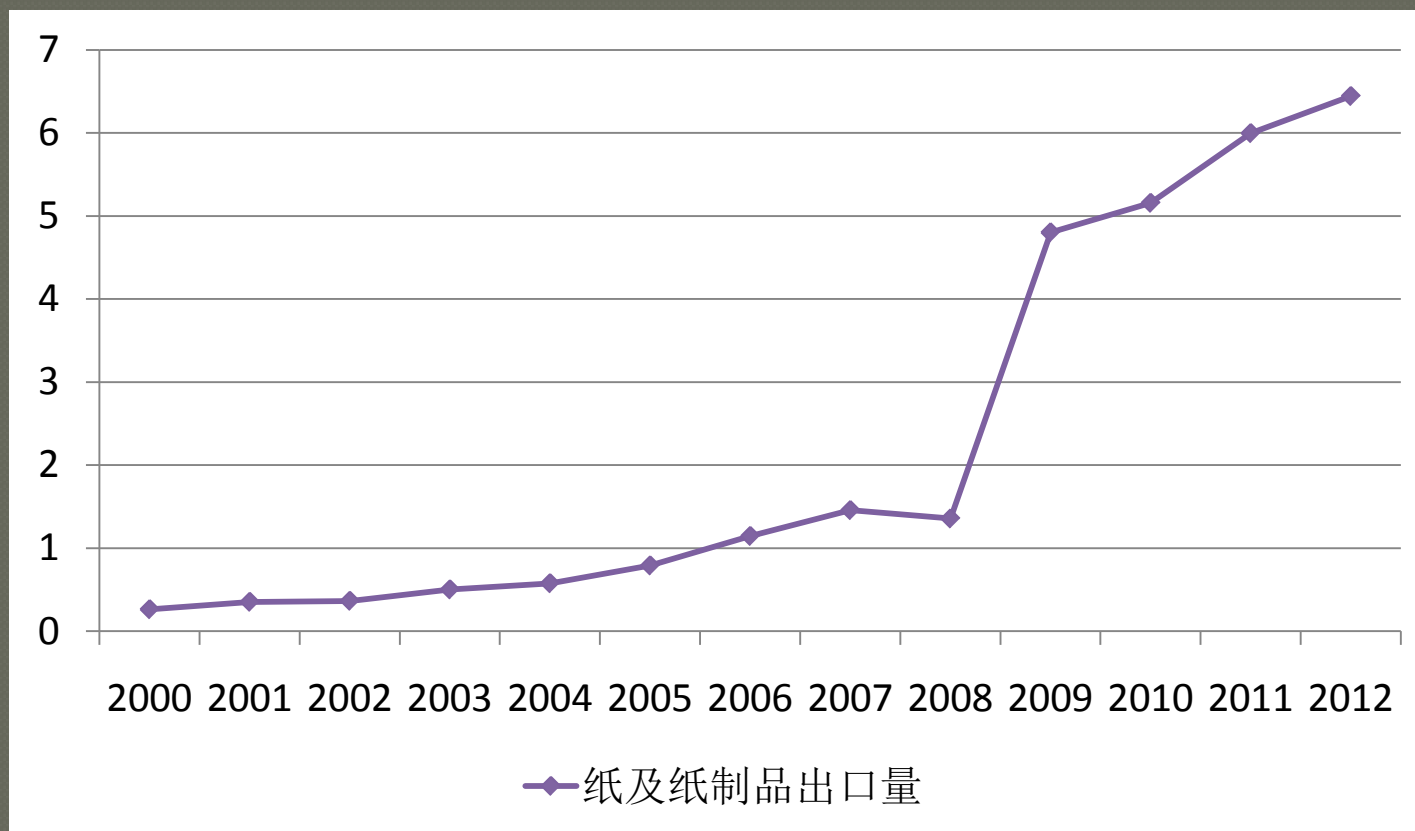
Forest product trade growth in China—Export



Unit: Million m³

2. Status Quo of forest product trade in China

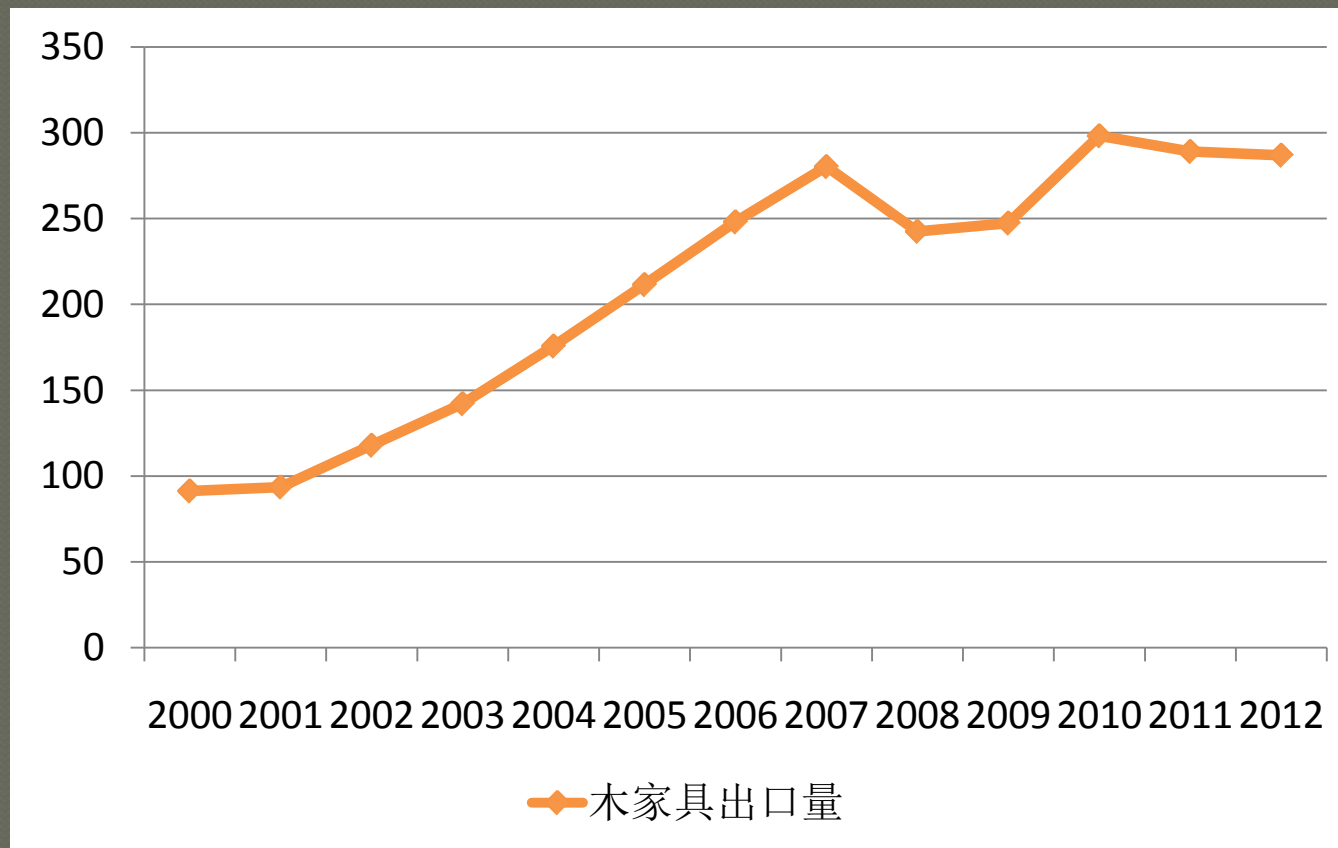
Forest product trade growth in China—Export



Unit: Million t

2. Status Quo of forest product trade in China

Forest product trade growth in China—Export



Unit: Million pieces

3 . Problems internally existing in forest product trade of China

● Problems in Industry foundation

◎ Industry organization

Forestry Industry Concentration in China between 2001 and 2011 (%)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Timber processing	18.1	17.9	16.9	22.1	25.1	22.8	30.1	33.4	32.9	32.5	26.2
Furniture manufacturing	10.6	11.3	12.3	16.9	19.6	17.7	20.7	21.3	19.6	19.4	24.8
Paper-making and paperboard manufacturing	44.1	44.9	43.1	54.1	54.6	47.3	54.1	54.7	47.2	45.8	52.9

While low concentration when $CR \leq 40\%$, medium concentration when $40\% \leq CR \leq 60\%$, relatively high concentration when $60\% \leq CR \leq 80\%$, and high concentration when $CR > 80\%$

3. Problems internally existing in forest product trade of China

● Problems in Industry foundation

◎ Technology

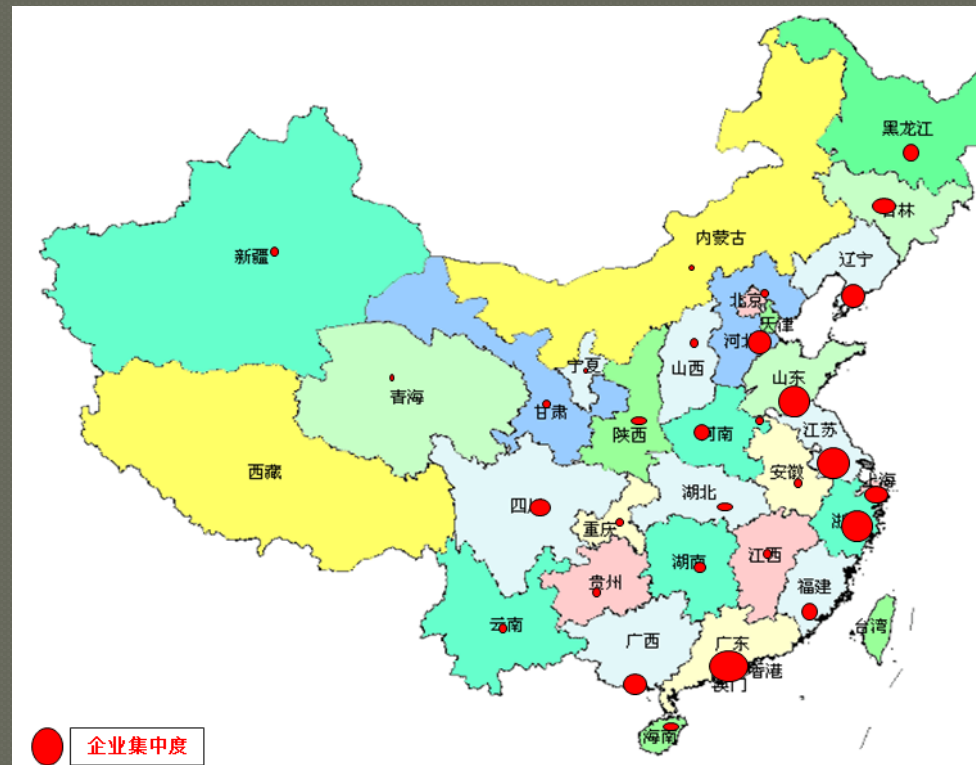
Annual input in technology innovation by timber processing industry in China between 2001 and 2011 (%)

Project	Input density in tech. development	Input density in tech. renovation	Input density in tech. introduction	Input density in absorption and application
Industry nationwide	1.61	1.88	0.30	0.05
Timber processing	0.81	1.03	0.21	0.03
Furniture manufacturing	0.42	0.33	0.03	0.01
Paper-Making and paperboard manufacturing	1.15	1.68	0.41	0.03

3. Problems internally existing in forest product trade of China

● Problems in Industry foundation

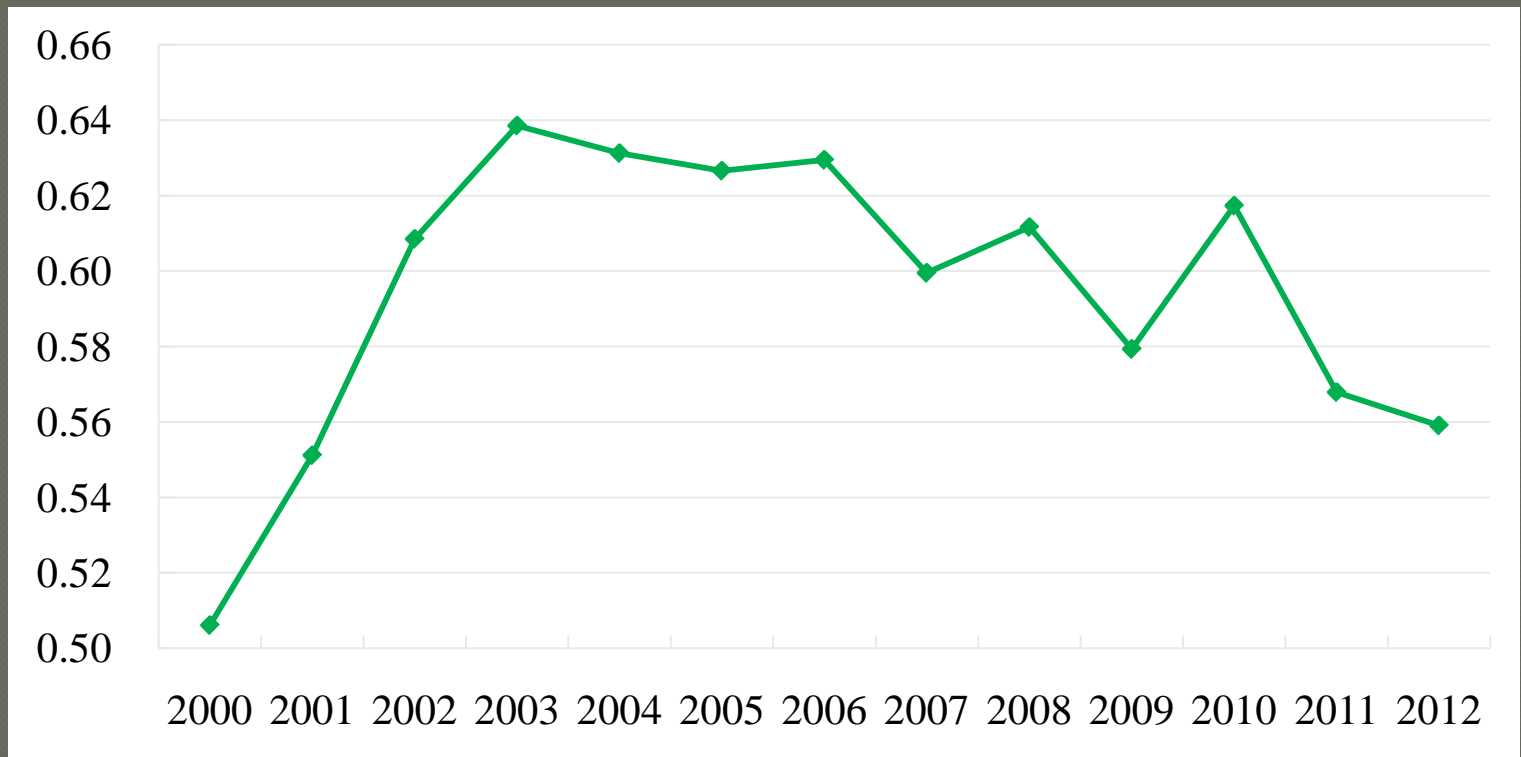
○ Industrial layout



3 . Problems internally existing in forest product trade of China

● Problems in development mode

- ⊙ High degree of dependence on overseas timber resources





3. Problems internally existing in forest product trade of China

● Problems in development mode

◎ Chaotic timber import

- ◆ Prioritize quantity over quality;
- ◆ Intensive and chaotic competition during timber import and transfer process
- ◆ Lack of organizations to coordinate the import of timber.

3. Problems internally existing in forest product trade of China

● Major problems in the development of forest product trade in China

◎ OEM as the main form for export

- ◆ OEM is the dominant means for enterprises to enter the international market;
- ◆ OEM is a management activity producing low added value;
- ◆ Short of our own brands and weak control over international market;



3. Problems internally existing in forest product trade of China

● Major problems in the development of forest product trade in China

- ◎ High dependence on policy
 - ◆ Export tax refund;
 - ◆ exchange rate of CNY;
 - ◆ VAT refund upon collection;
 - ◆

4. External challenges faced by forest product trade in China

- More log export bans

- ◆ **Russia:** raise log export tariff and issue the Log Act ;

- ◆ **Gabon:** Log export ban;

- ◆ **Myanmar:** overall log export ban from April 1st 2014;

- ◆

4 . External challenges faced by forest product trade in China

- More export trade barrier

CE, CARB, 337 Investigation, anti-dumping, countervailing, etc.



4 . External challenges faced by forest product trade in China

- ◎ Rising timber legality requirements
 - ◆ USA: Lacey Act Amendment;
 - ◆ EU: Timber Regulation
 - ◆ Australia: Illegal logging Prohibition Bill
 - ◆ Korea and Japan have carried out related research





5. New Strategy for further development of forest product trade in China

◎ Resource strategy

◆ Stress the cultivation and utilization of domestic forest resources

National strategic storage and production base setup,
recycling use of waste timber

◆ Continue the use of international forest resources

Overseas forest resources cultivation and processing bases;
timber storage , processing and trading bases



5 . New Strategy for further development of forest product trade in China

◉ Industrial strategy

- ◆ Promote scaled industrial management

- ◆ Cultivate our own brands

“Implement brand cultivation pilot project to create or maintain 300 forest product brands in 3 years so as to accelerate the scaling-up and restructuring of forestry industry”

- ◆ Multi-national management



5 . New Strategy for further development of forest product trade in China

- ◉ Market strategy

- ◆ Diversified markets for export

- Dependence on export markets; take advantage of free trade zone;

- ◆ Cultivate internal market

- the per capita timber consumption is 0.39m^3 in China, lower than 0.65m^3

- the world average level

- Internal market growth will contribute to higher international

- competitiveness of the industry



Thank You!