

IFFP China International and Domestic Trade Scenarios

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Existing IFFP Model

Countries

- China, Indonesia, Eastern Russia, Rest-of-the-World

Products

- forest, saw log, pulp log, sawn, panel, plywood, pulp, paper and paperboard, newspaper, recycled paper, other fibre

Identified Uncertainties in China's Model

Forest growth

- possibly understated in status quo

Growth in solid wood production and consumption

- possibly overstated in status quo

Russian log export tariff

- not dealt with at all

Forest Growth Uncertainties in China's Model

Forest growth assumptions

- Lower forest growth
 - 10 m³/ha/yr fast growing plantations
 - historic growth rates for natural forests
- Higher forest growth
 - 20 m³/ha/yr fast growing plantations
 - twice historic growth rates for next rotation of natural forests

Solid Wood Uncertainties in China's Model

Growth in solid wood production and consumption assumptions

- Higher Prod / Cons
 - historic rates of growth ($\sim 5.1\%$ / year)
- Lower Prod / Cons
 - limited growth ($\sim 2.7\%$ / year)

Russian Tariff Uncertainties in China's Model

Russian tariffs on logs assumptions

- On
- Off

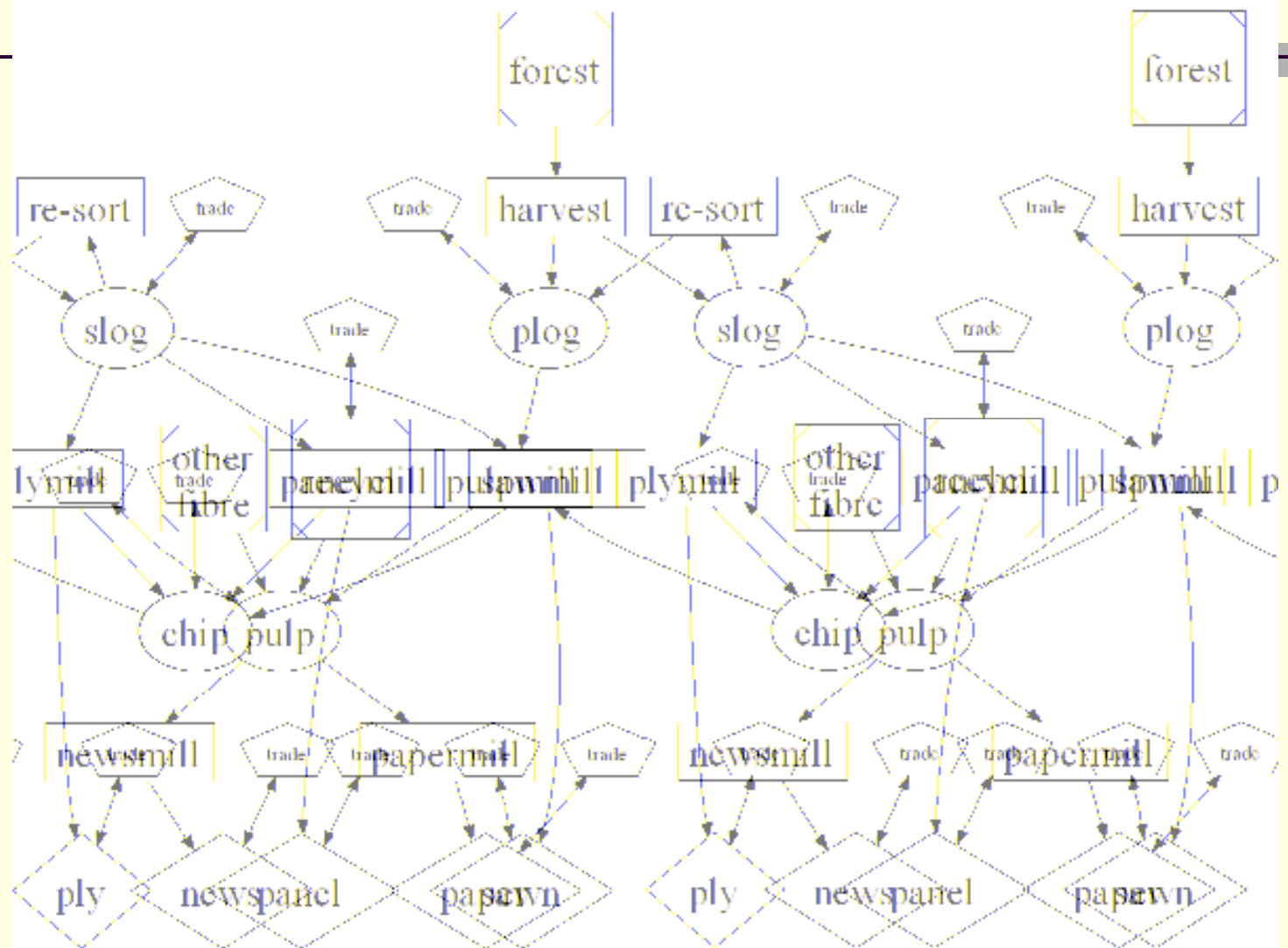
(Dealt with separately at the end of the talk!)

China's Scenarios

1. Lower Forest Growth ; Higher Prod / Cons
2. Higher Forest Growth ; Higher Prod / Cons
3. Lower Forest Growth ; Lower Prod / Cons
4. Higher Forest Growth ; Lower Prod / Cons

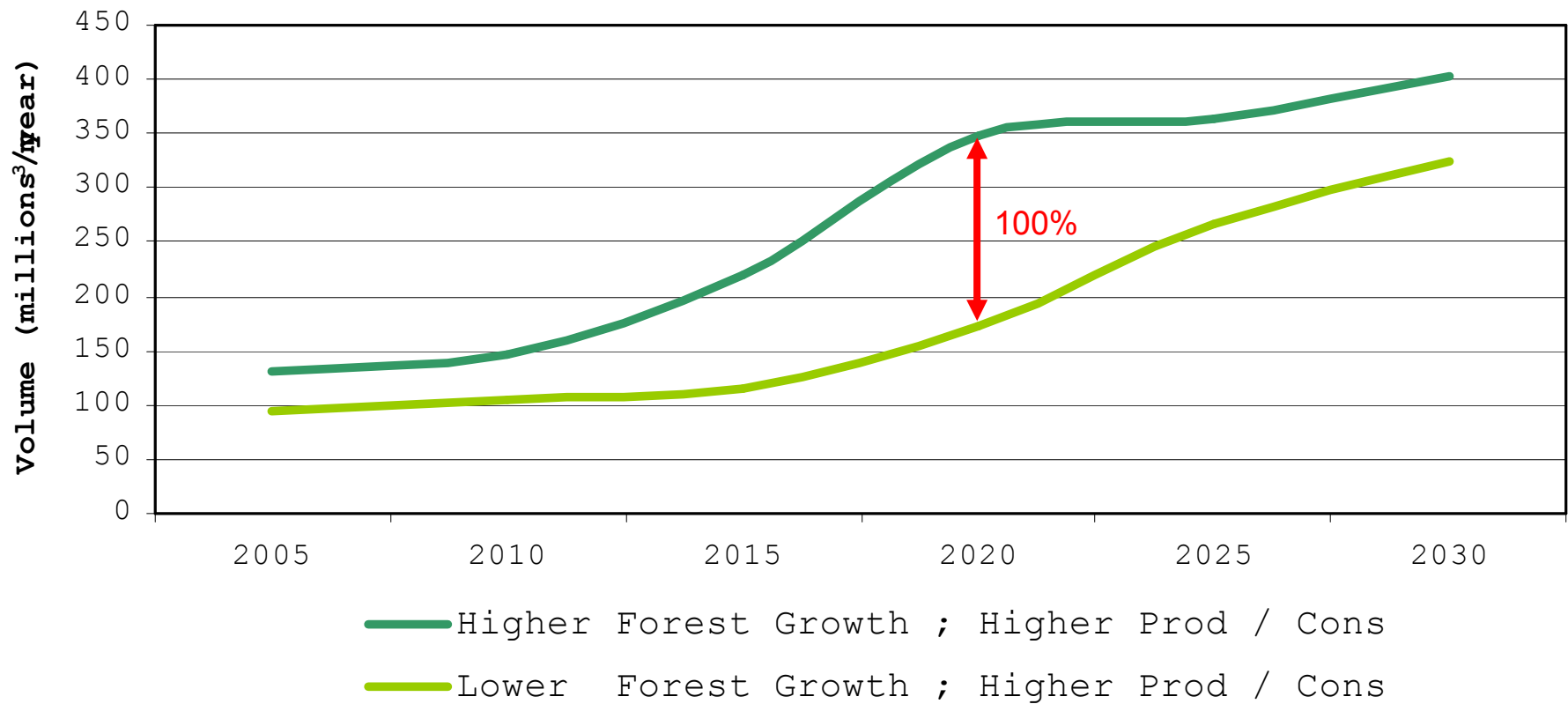
(The Eastern Russian scenarios later!)

Model for China Masteran (Rungia) Models Used for China Masteran (Rungia) Models Use
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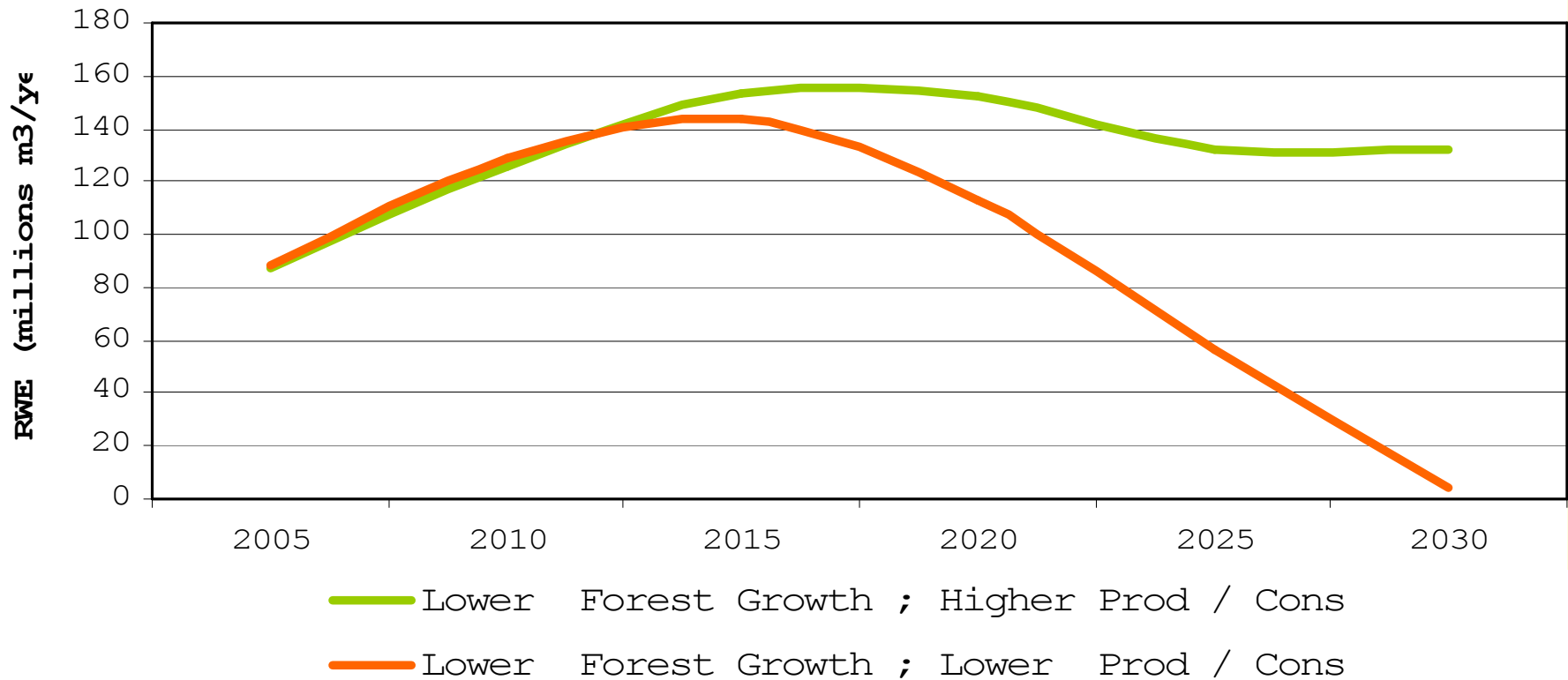
China's Harvest Levels

Scenario #1 and #2 - Effects of Forest Growth Levels



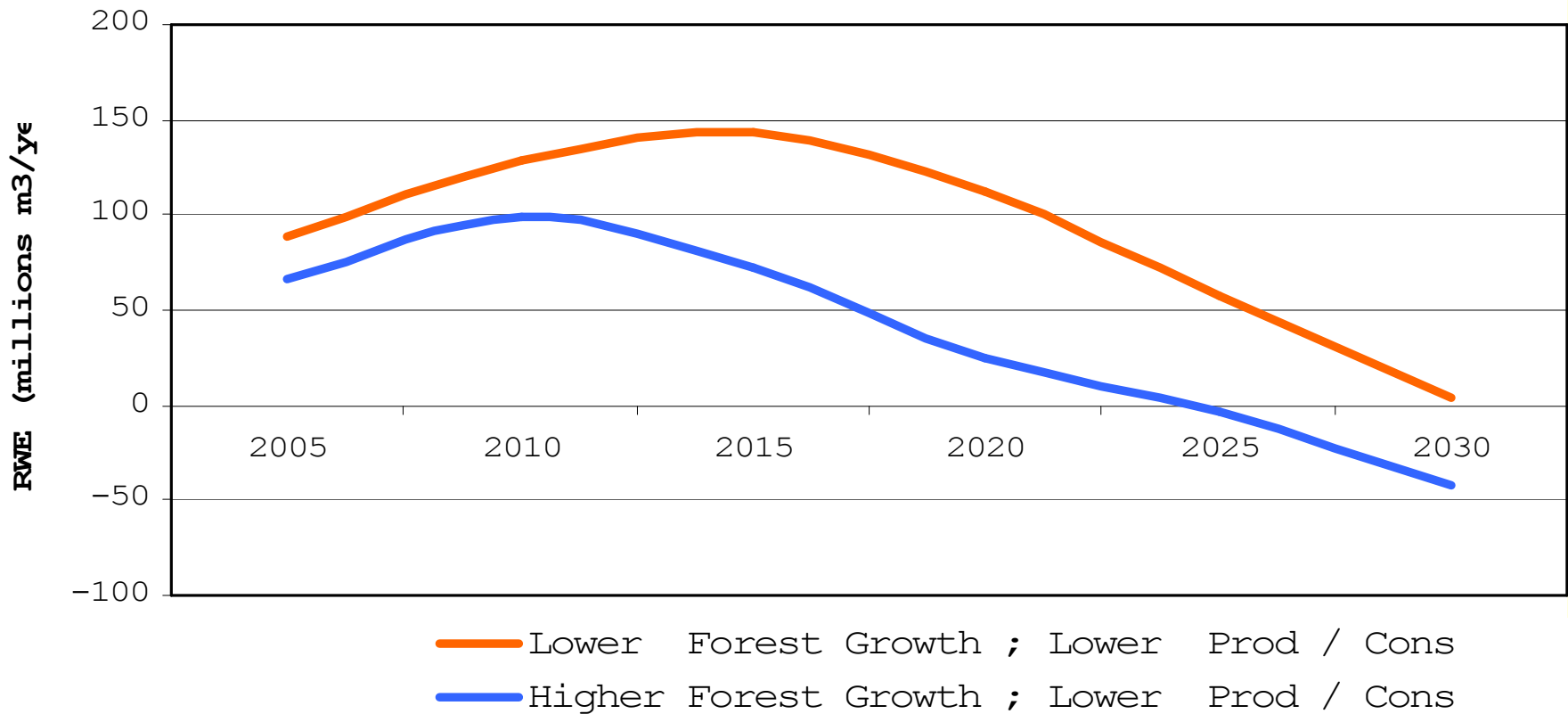
China's Net Imports of Forest Products

Scenarios #1 and #3. Effect of Domestic Production and Consumption Levels



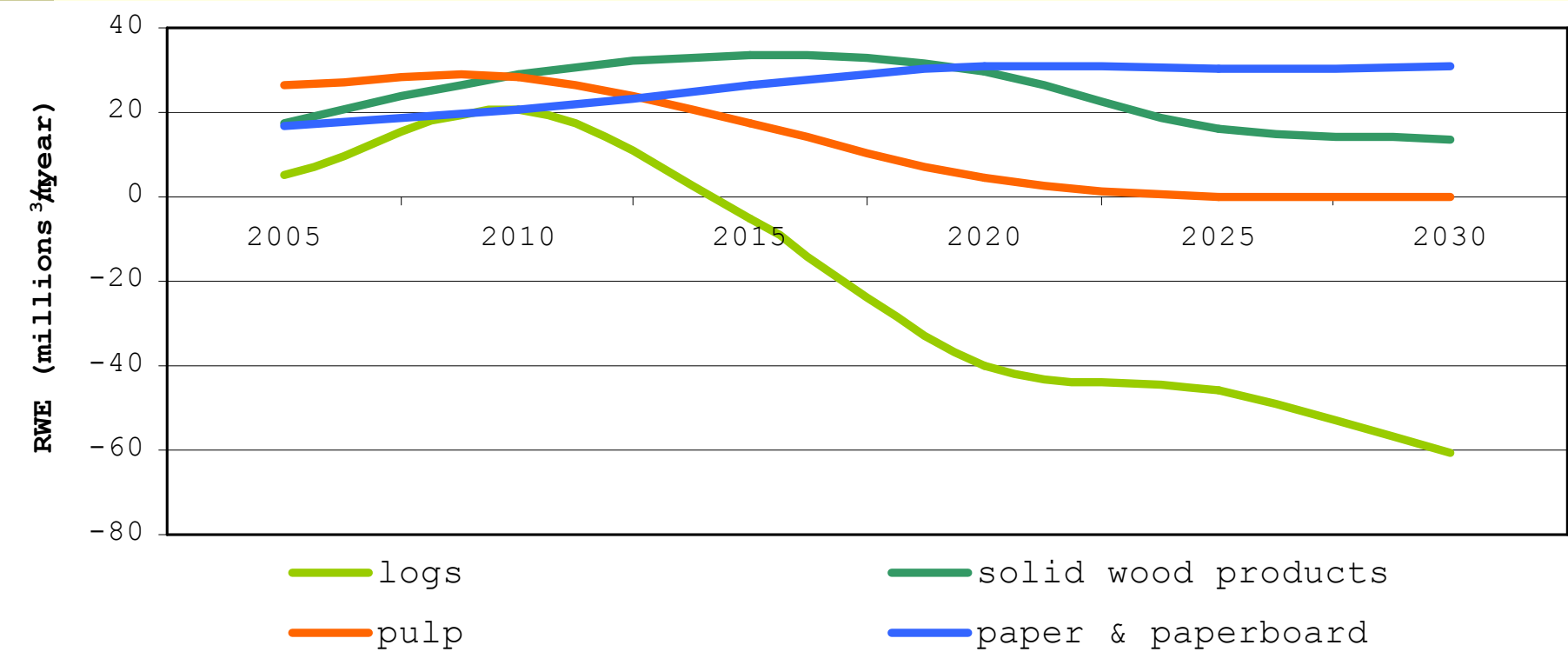
China's Net Imports of Forest Products

Scenarios #3 and #4. Effect of Forest Growth Levels



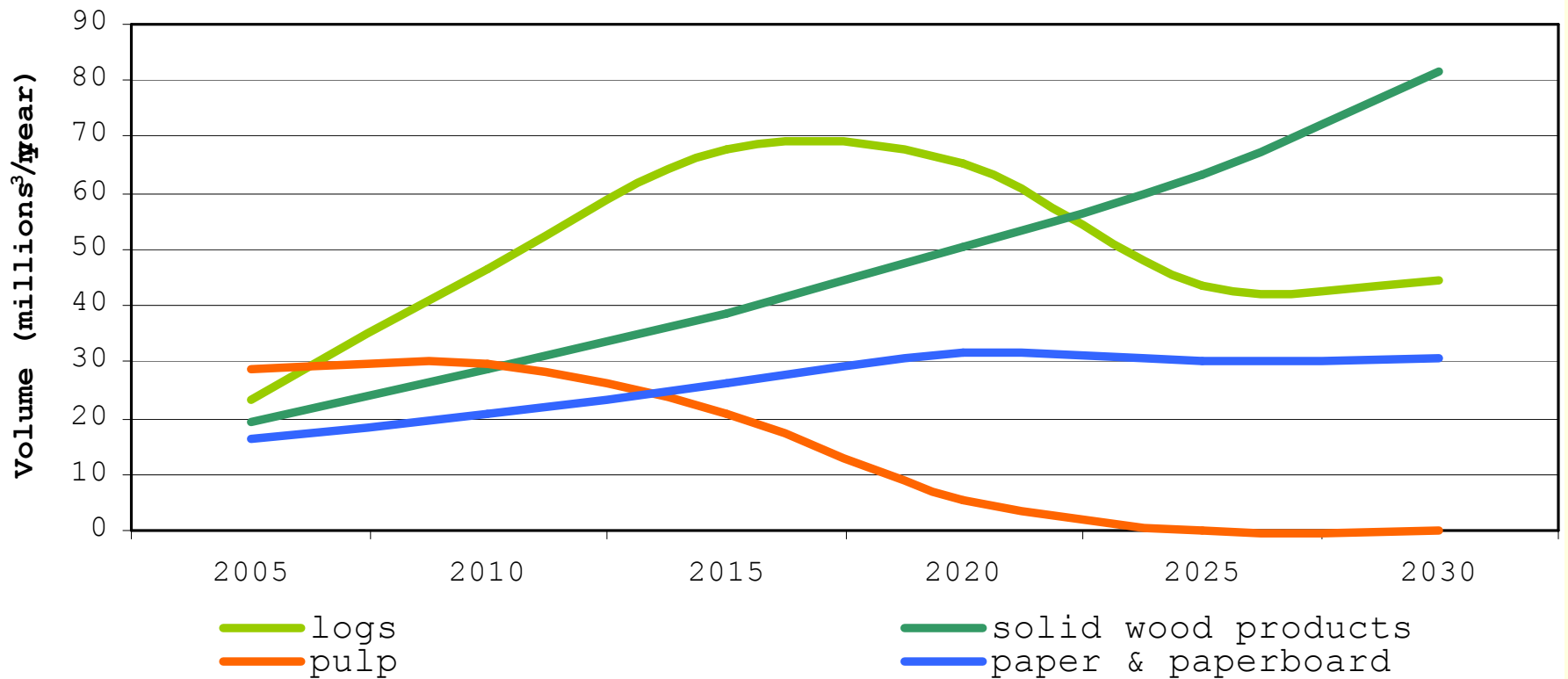
China's Net Import Levels

Scenario #4. Details of Higher Forest Growth; Lower Prod / Cons



China's Net Import Levels

Scenario #1. Details of Lower Forest Growth; Higher Prod / Cons



Conclusions

China's Forest Growth and Solid Wood Production and Consumption Uncertainties

- If the higher forest growth assumption is correct there could be a doubling of the harvest level in contrast to the lower growth assumption. Analysts should demonstrate which assumption is best supported by statistical evidence.
- The uncertainties around the future production and domestic consumption levels of solid wood products is critical. Analysts should carefully evaluate the driving forces since it will have a very significant impact on net imports.

Eastern Russia



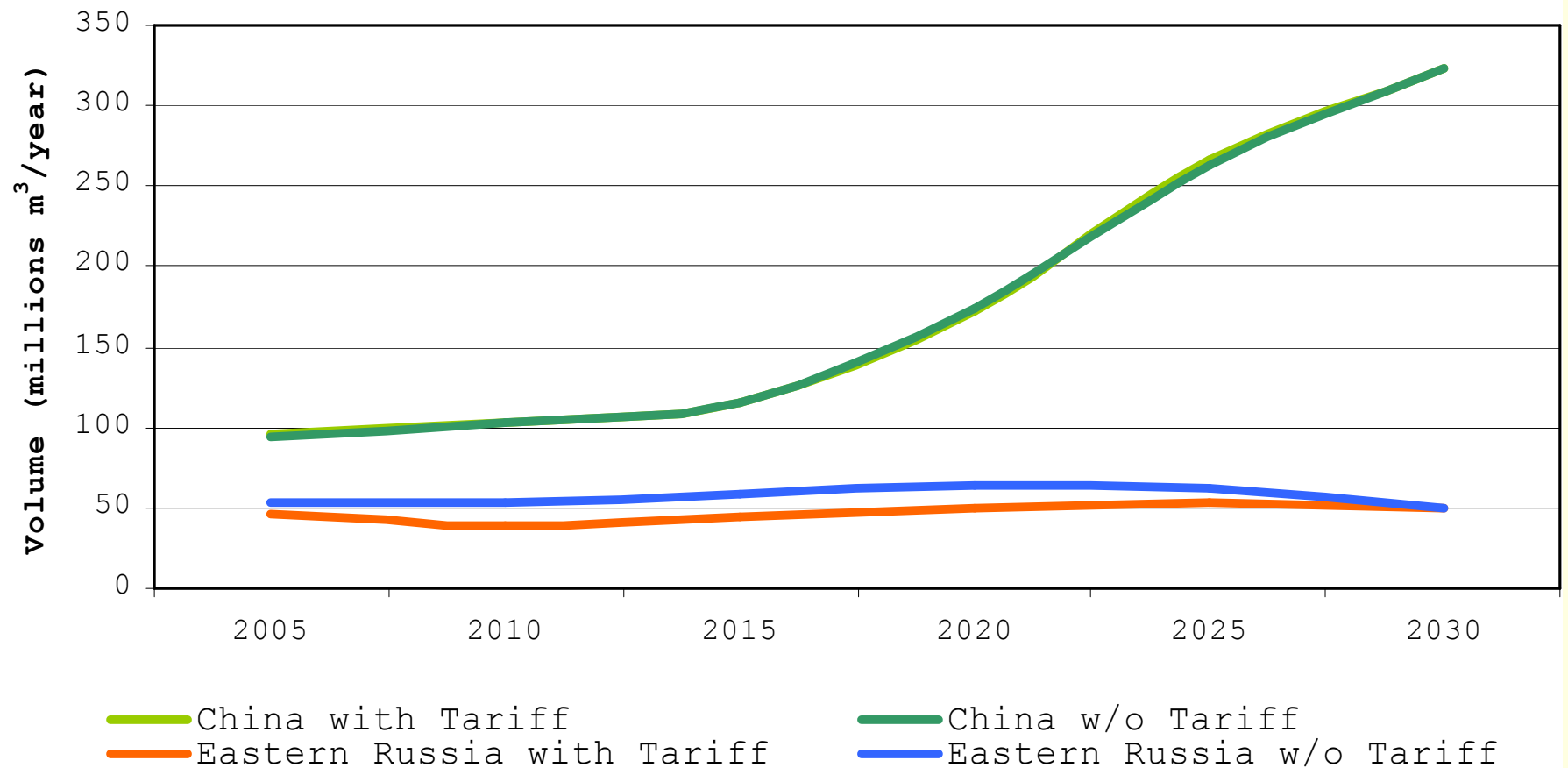
Source: IIASA

Eastern Russia's Scenarios

5. **Log Tariff;** Lower Forest Growth ; Higher Prod / Cons
6. **No Log Tariff;** Lower Forest Growth ; Higher Prod / Cons

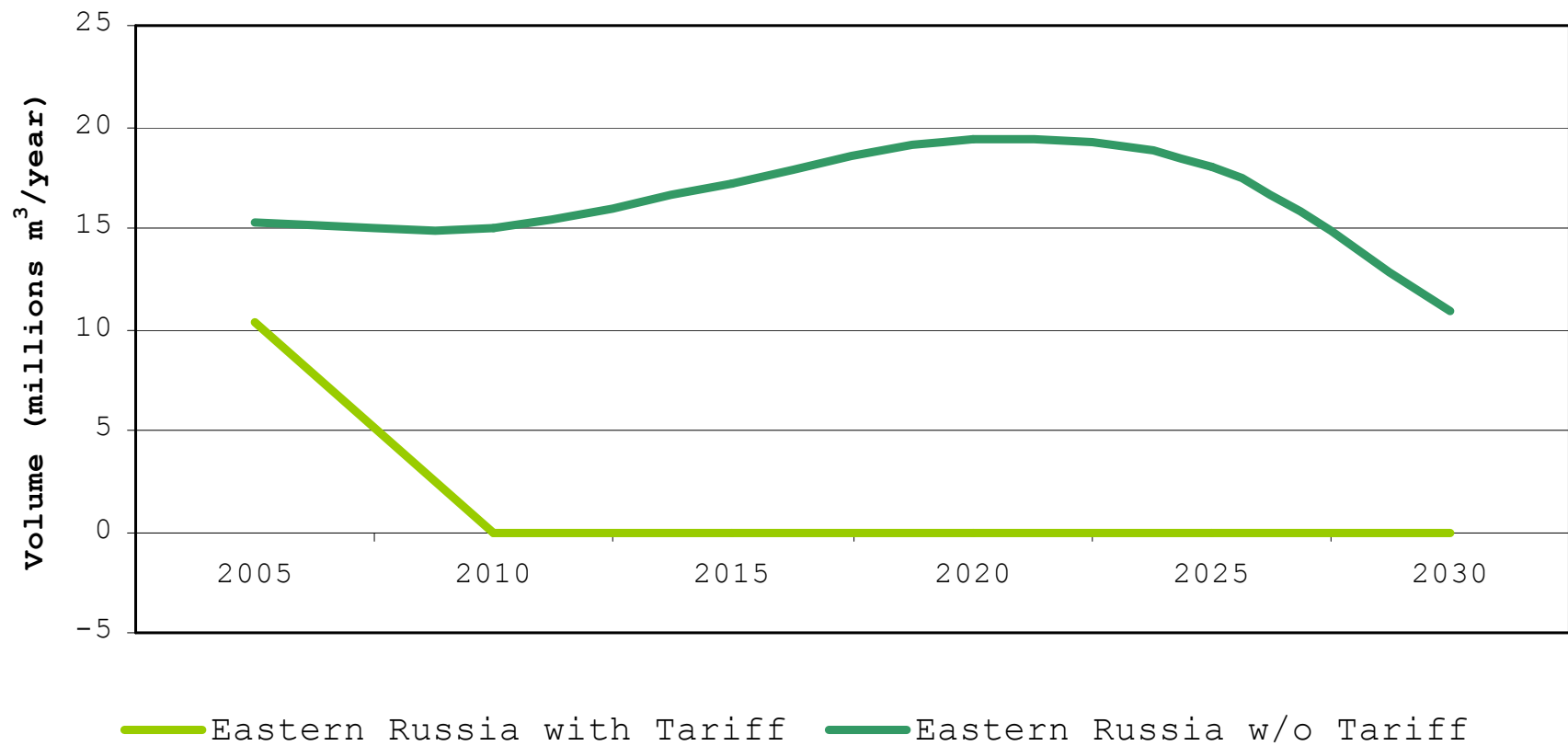
Eastern Russia and China Harvest Level

Scenario #5 and #6. Log Tariff?; Lower Forest Growth; Higher Prod / Cons



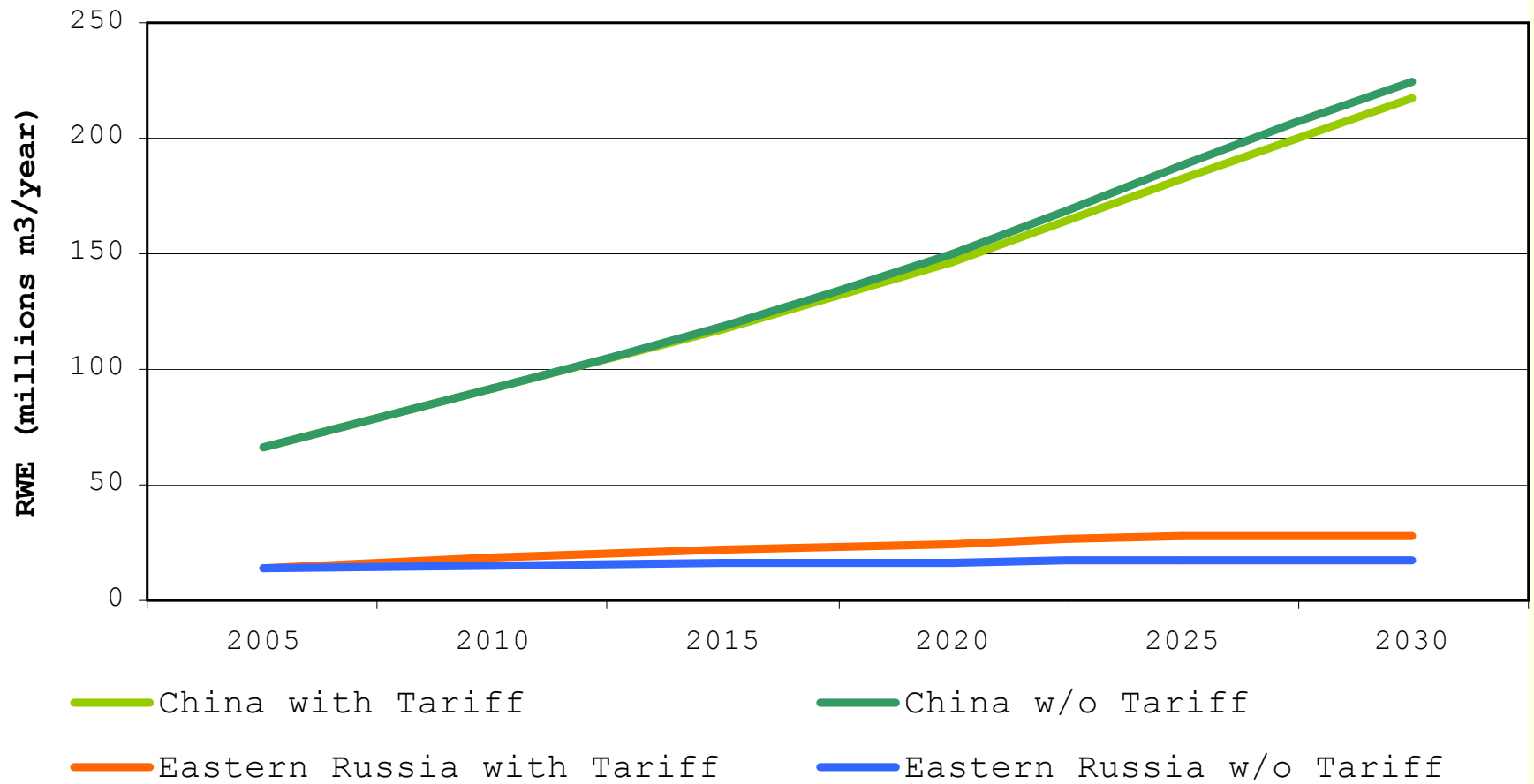
Russia's Log Tariff Effect on Sawlog Exports

Scenarios #5 and #6. Log Tariff?; Lower Forest Growth; Higher Prod / Cons



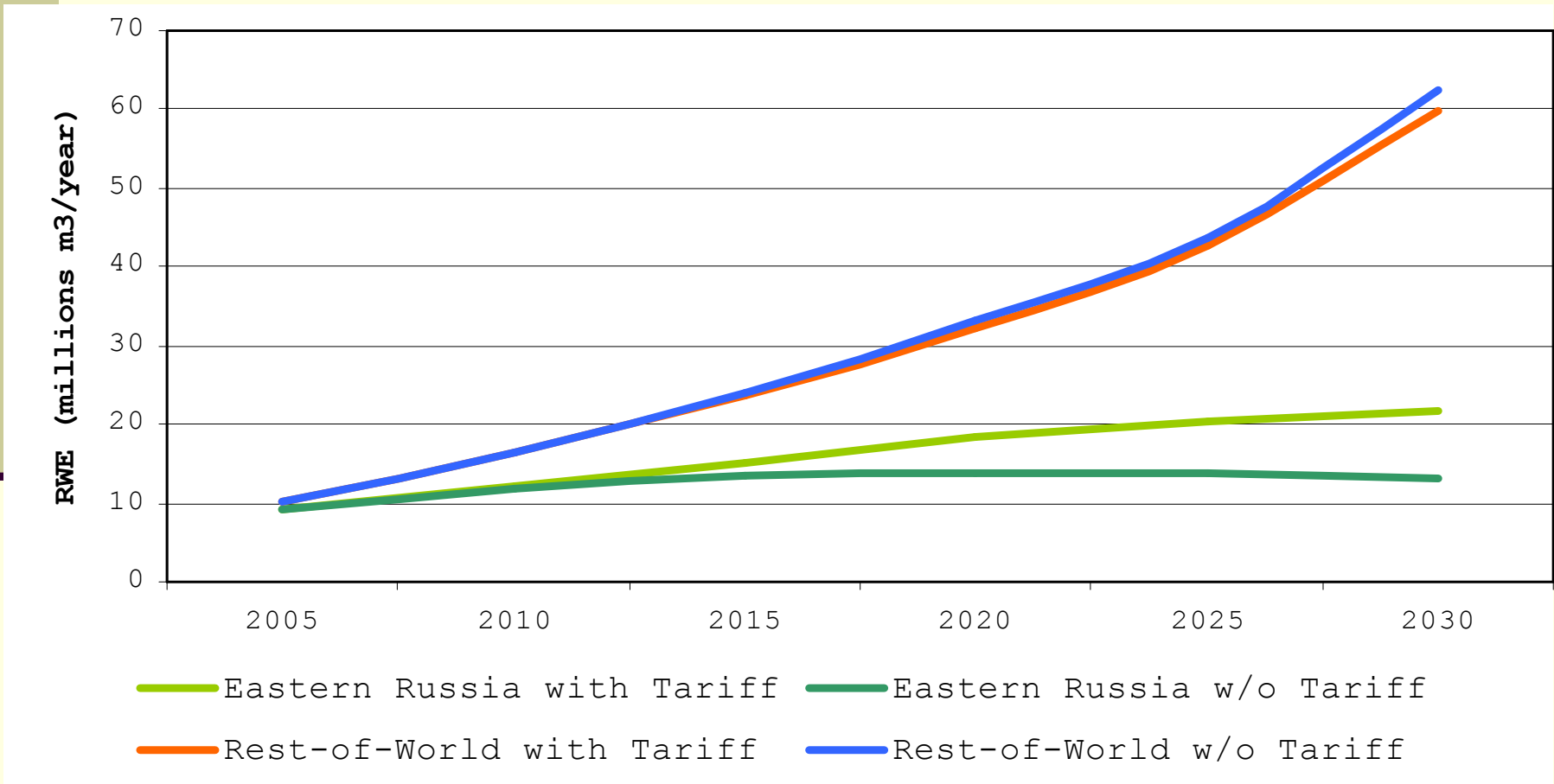
Russian Log Tariffs Effects on Solid Wood Manufacturing

Scenario #5 and #6. Log tariff?; Lower Forest Growth; Higher Prod / Cons



Russian Log Tariffs Effects Solid Wood Imports

Scenario #5 and #6. Log Tariff?; Lower Forest Growth; Higher Prod / Cons



Conclusions (2)

Russia's Log Tariff

- Imposition of a log tariff will have more dramatic effects on eastern Russia than on China. Analysts should examine short-term impacts on NE China's manufacturing sector.
- Manufacturing capacity in eastern Russia expands but during the transition from China to eastern Russia harvest level is reduced. Analysts should examine the pressures to shift to illegal logging and the export of sawlogs.

Future

- Demonstrate utility (objective of the next few days)
- Train country experts (to transfer the model)
- Finalize analysis including western Russia (to develop Russia scenarios)
- Fully develop on-line version for multi-country analysis (to facilitate dialogue)
- Rapid response to the needs of policy makers (to be relevant)