

**From Forest to Furniture:**  
New Green Market Opportunities for China

12-13 September 2001  
Shanghai

**Purpose**

“From Forest to Furniture: New Green Market Opportunities for China,” will inform commercial actors of markets for sustainable forestry products, certification, and expanding business opportunities in sustainable forestry in China and facilitate contacts between potential partners. The conference will contribute to a growing debate in China on policy reforms necessary to encourage commercial forestry and complement a conference on forest policy held in Huangshan in May 2001.

**Background**

In the last decade, China has become one of the world’s most important forest products trade countries. Its entry into the World Trade Organization and the Asia Pacific Economic Cooperation group, its trade liberalization program and fast economic growth coupled with a large population and competitive wages make it attractive for investment. Already, many Western furniture makers are turning to China for a large portion of their production and the trend is certain to grow. In China itself demand for wood products is increasing and therefore China’s international ecological footprint is growing. At the same time, certification of forest practices is gaining ground in Western markets and has gained a foothold in Asia with the first certifications in Japan, Indonesia and other countries.

The forests of China are rich and diverse. Forests range from the transitional boreal forests of the far north to the tropical forests in the south. China is consistently rated one of the world’s most important countries for biodiversity, and forests play a large role in this diversity. Chinese forests are also important to China’s economy. Forests provide three percent of the China’s jobs and four percent of GDP. Forty percent of energy in rural areas is from woodfuel.

However, Chinese forests are under threat from high population density and a rapidly developing economy, which puts strains on forests from increased demand for wood and paper products. This strain also affects the ability of the forests to provide environmental services especially watershed protection and hydrological stability.

The Chinese Government is acting on these threats. In 1998 in response to flooding along China’s main rivers, the Government instituted a National Forest Protection Program. The plan calls for the cessation of logging in many watersheds and a reduction in others. It also calls for ambitious planting of forests for future harvest.

Partly as a result of the Natural Forest Protection Program, production of roundwood in China has fallen and imports have increased. Overall imports of logs increased by 100%, sawnwood by 25 % and veneer by almost 20% from 1998 to 1999. Simultaneously, imports from Russia alone increased 270% in just one year. Part of the increased demand pressure comes from rising wages in China. Steadily decreasing import duties in China in some categories has also increased

imports. Finally, China's emergence as the furniture manufacturing base of choice for Western markets has further fueled wood imports.

Taken together, these trends signal China's emergence as a major player in the international forest industry. Home Depot, Ikea, Lowe's, B&Q and other large retail home improvement and home outfitters companies have made long-term commitments to "go certified." China's rising production of furniture and other wood products could help meet that potentially large demand. Enterprising firms could expand their market share and turnover from the trade in certified product.

The conference in Shanghai is designed to build on and complement other sustainable forestry activities and developments in China and around the Pacific Rim. Buyers' Groups for sustainable forestry practices have been established in Japan and Hong Kong, expanding on the opportunities presented by the Certified Forest Products Council and other groups in North America and in Europe. A number of studies of China's potential for both sustainable production and consumption and also China's policy changes and entry into the WTO and APEC will inform the presentations.

Advancing the practice of sustainable forestry in China hinges on progress on a few key issues: the establishment and enforcement of forestry practice standards in natural and plantation forests, reforming tax and regulatory policies to facilitate good stewardship, developing the national capacity for forest and chain of custody certification, developing national and international markets for wood from certified forests, and new and discerning investment in operations and processing.

The conference will develop these issues by focusing on (1) the major global and regional trends in commercial forestry (2) the infrastructure of the market for sustainable forest products, such as the process and funding of certification (3) opportunities for trade and investment in sustainable production in China, (4) Chinese regulatory policy and taxation and their effects on commercial forestry, (5) in depth discussion of supply, demand and certified forest markets.