

EDITORIAL

Understanding the Chinese forest market and its global implications

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China's forest market is one of the largest in the world in terms of production, consumption, and imports of wood products. Its large forest estate and massive population has meant that it has also for some time been a leading nation in terms of the number of processing plants, number of people employed in the forestry sector, the scope of its non-timber forest markets, and the overall level of contributions of forest enterprises and markets to local livelihoods. However, despite this importance the exact nature of China's forest market has long been a mystery to the outside world, as well as to most Chinese. Until recently there has been limited interest, or capacity, to seek a more detailed picture but this has changed in the last few years with China's booming forest imports and rapidly expanding domestic market.

China has suddenly become the wood workshop of the world, capturing almost one-third of the total global trade in furniture. Fully one-half of all timber imports (logs, sawnwood and panels) are now processed and exported as finished products and the marked increase in manufacturing and domestic consumption in a nation with very limited per capita forest resources has fueled the rise in imports. Furthermore, the combination of this booming domestic demand and growing export-oriented processing industry is affecting the industry globally causing some enterprises to collapse, while creating opportunities for others. An outcome of all this activity is that industry and government leaders around the world are reassessing their competitive positions in light of the new Chinese market.

While China's increased forest product demand and exports have affected supplying countries worldwide, impacts are particularly marked in the Asia Pacific Region. Some 70% of all of China's timber imports come from Asia Pacific countries and China has become the leading market for most of them. In many cases, increasing trade flows are associated with unsustainable harvesting, corruption, illegal logging, and the abuse of indigenous and other forest commu-

nity rights. But while China's surging demand has aggravated and accelerated degradation of natural forests in some situations, it is also leading to the establishment of new plantations both in China in many supplying countries. Indeed, China's growing demand also creates the possibility that millions of low-income forest producers within China and in producer countries globally can participate, and perhaps benefit in this new market. Trees and forests are the primary asset of millions of the world's poorest people and when governments act to enable them to use these assets forestry can be an important instrument of rural development. This potential, for the Chinese market to assist in the alleviation of poverty both domestically and in some supplying countries, is encouraging government and development officials to inquire about the range of impacts and implications of the Chinese forest market.

But this growing global interest in the Chinese market from industry, governments and development organizations has not yet been met with rigorous and publicly accessible analyses of the macro-level trends and issues. The primary source of market information to date has been proprietary analyses, the cost of which has precluded their use to all but the largest international investors and trade associations. And even these reports have been of mixed quality due to the weakness of the official data and the lack of independent peer review. Governments, researchers, non-governmental organizations and international development institutions have lacked the information necessary to understand and assess the implications of the Chinese forest market.

This Special Issue of the *International Forestry Review* has been produced in order to begin to address this problem. Since early 2003 *Forest Trends*, the Center for International Forestry Research (CIFOR) and the Center for Chinese Agricultural Policy (CCAP), supported by the United Kingdom Department for International Development (DfID), has worked with partners in China and across the region to begin to

build a knowledge base of the Chinese forest market and the export trade of China's Asia Pacific supplying countries. The purposes of this initiative have been to: (1) better understand strategic market issues and trends in China and in the key supplying countries in the Asia-Pacific region; (2) strengthen capacity and networks of market analysts and advocates in China and the region; and (3) begin to communicate this information to policy and market leaders in China and the region, helping them take action to ensure that this growing demand contributes to, rather than diminishes, sustainable forestry and forestry's contribution to rural development.

The Special Issue begins with **An assessment of China's forest resources** by G. BULL and S. NILSSON. After assessing the inventory, supply and demand statistics they forecast continued difficulties in reaching domestic supply targets and continued increases in imports - at least for the next several decades. They also conclude that data weaknesses and discrepancies must be addressed before a more specific, and accurate, set of targets and policies can be created. XIUFANG SUN, LIQUN WANG, and ZHENBIN GU provide **A brief overview of China's timber market system** and describe the dramatic changes since the early 1980s when the government began to privatize state-owned enterprises and open markets. The markets for imports and exports are considered in the next two papers. XIUFANG SUN, E. KATSIGRIS and A. WHITE describe **Meeting China's demand for forest products: an overview of import trends, ports of entry, and supplying countries, with emphasis on the Asia-Pacific region** while E. KATSIGRIS and her collaborators from China and the Asia Pacific region turn to the issue of how this trade is affecting the forests, industry and rural peoples of the major supplying countries in the region in their paper, **The China forest products trade: impacts and implications for Asia Pacific supplying countries**. They identify a range of steps to diminish the negative impacts of the trade and move toward business and trade models that contribute more to sustainable management and improved livelihoods. The next two papers focus on the plantation sector and were prepared by colleagues from CIFOR; C. BARR, C. COSSALTER and D. HE. The first, **China's pulp and paper sector: supply-demand trends and medium term projections**, describes supply and demand trends for the pulp and paper sector and forecasts future demand. The authors conclude that demand will continue to increase in line with growth of GDP - raising the question of where the pulp and fibre will come from to meet this demand. The authors address this question in the second paper, **China's development of a plantation-based wood pulp industry: government policies, financial incentives, and investment trends**, where they assess the plantation sector in China, focusing on the South-

ern region. This body of work identifies that there are significant costs and environmental constraints to achieving China's plantation and supply targets despite the high level of direct and indirect subsidies. GUANGPING MIAO and R. A. WEST, in their paper **Chinese collective forestlands: contributions and constraints**, report that these areas account for some 60% of all forests and are playing an increasing role not only in supplying timber but in collaborating with industry to establish fast-growing plantations. After providing an overview of the current status of this sub-sector they assess the impacts of major policies on collective forests and their owners and identify policy reform measures that could improve the contribution of collective forests to domestic supply, conservation and local livelihoods. S. NILSSON and colleagues complete this set of papers on markets with **China's forest sector markets: policy issues and recommendations** which presents a summary assessment of key policy issues and recommendations. They report that the Chinese government has taken many admirable and substantial steps to modernize its forestry sector in recent years. Additional steps to address the property and policy weaknesses will continue to yield important returns in terms of increased domestic supply and rural development.

The volume next turns to a set of papers describing and assessing key issues in the broader forestry sector. RUIZ PÉREZ and colleagues fill a critical gap in understanding the Chinese forestry sector by describing the important and growing role of bamboo and bamboo enterprises in rural China in their paper **Looking through the bamboo curtain: an analysis of the changing role of forest and farm income in rural livelihoods in China**. ZHIGANG XU and colleagues present the results of new research assessing the implementation and impacts of the Sloping Land Conversion Program, one of the world's largest public payment schemes for ecosystem restoration, in **China's Sloping Land Conversion Program four years on: current situation, pending issues**. They conclude that this program merits substantial strengthening to achieve its goals and present recommendations to improve its efficiency and effectiveness. QIANG MA's paper **Appraisal of tree planting options to control desertification: experiences from the Three-North Shelterbelt Programme** presents a cost-benefit analysis of the Three North Shelterbelt Programme and identifies similar weaknesses in implementation and targeting. In addition, it and presents recommendations for the consideration of policy makers. JINLONG LIU and colleagues review China's forest revenue policy, in **Forestry revenue policy in China: what has happened and why** describing how it has evolved over time, how it remains a significant disincentive to investment in many parts of China, and how the government is beginning to take important steps to reform

the system. RUIZ PÉREZ and co-authors provide a fitting ending to this volume with a review of forestry research in China in **The relationship between forest research and forest management in China. An analysis of four leading Chinese forestry journals.** They find substantial collaboration between government and researchers on technical issues, particularly at the provincial level. They also find that policy research is 'almost non-existent' - an important finding that merits the attention of the Chinese government and the international research community alike. Clearly, more progress on the design and implementation of policies will require policy research, and given the growing role of China's forest sector, both China and the world would benefit from a stronger capacity for rigorous and independent forest policy research.

Putting together such a wide ranging set of papers has required the inputs of many colleagues and we would like to acknowledge them and the many institutions that have contributed their time and talent to this collaborative initiative. Thanks go to: Forest Economics and Development Research Center of the State Forestry Administration, China; Chinese Academy of Forestry; Beijing Forestry University, Center for

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