

SWST 2012 Convention
Global trade: China's impact on global forest products trade
Session Summary
Closing remarks by Ed Pepke, Co-Chair

First, I would like to thank for assistance in organizing this session on global trade, my Co-Chair, Dr. Li Zinyong, as well as Dr. Alain Cloutier, President of the SWST and Ms. Vicki Herian, Executive Director of the SWST. I want to also thank all of our speakers for their presentations, and also to their institutions for enabling them to participate.

Thank you to participants too. I realize that not all of the subjects today are specifically relevant to all of your research areas. In fact, I was rather selfish and together with Dr Li, we chose speakers for their expertise in our specializations, i.e. global forest markets trade.

And now I would like to summarize what we heard today.

China has something magic!

This is what Mr. Shengfu Wu said, and I think it is a good synopsis of what we heard.

Professor Yanhong Zhang, Deputy Director General, State Forestry Administration

She presented an overview of Chinese trade developments, and summed them up by saying they are phenomenal ! She spoke about new policies, including that China is establishing new trade policies. From the perspective of my work for the implementation of the EU FLEGT Action Plan, I especially appreciated the policy to ensure that all timber exported is legal. She said that China has been developing their system of certification of sustainable forest management, and China is increasing its area of certified forests. And she concluded by saying that China wants to increase its international cooperation – which is why we are here too!

Dr. Ivan Eastin, who holds a joint faculty appointment with the School of Forest Resources and the Center for International Trade in Forest Products (CINTRAFOR) at the University of Washington, gave us an overview of China's markets from a perspective overseas. He said that China has a trade deficit in volume, but surplus in value because of its value-added production and exports. Since 2010, China has been the world's largest forest products importer. He told us about the factors influencing wood use in China, including:

- Demographic trends
- GDP growth (growing affluence)
- Increasing domestic consumption
- Construction trends: although concrete based, lots of wood use
- Benefits of wood construction

Dr. Weiming Song, Beijing Forestry University

Dr. Song presented the current state of China's forest products trade, and noted that there will be future adjustments for china's forest product trade because China is not immune to global trends. China relies on its comparative advantage, however it faces some challenges, including:

- supply of timber (with increasing international competition, there will be greater demand on China's domestic supply)
- legality verification more demanding (certification and other new systems will be necessary)
- market of low value-added forest products becoming more competitive.

Following the presentations above, there was a discussion period.

Marius Barbu asked about the impacts of increasing biomass for energy demand on China's forest products industry demand. Ivan Eastin responded that wood fiber will always go to the highest bidder. Dr. Song said that China is starting to use woody biomass for energy, and currently the supply is coming from domestic sources.

Paul Smith asked how the US Lacey Act Amendment has impacted China's forest products trade? Dr. Song said that China is in communication with the US, and stressed the need to adjust slowly. There needs to be mutual understanding, and exploring ways ahead. There need to minimize disadvantages Ivan Eastin said that China has made strides in adapting to customers' needs, e.g. China's C-o-C is "astronomical".

Dr. Xiaozhi (Jeff) CAO, R researcher, Seoul National University's Asian Institute for Energy, Environment and Sustainability

Dr. Cao described a building supply chain for a sustainable future and the Chinese industry's response to a changing regulatory environment . He mentioned that China's industries are diversifying, and reiterated that domestic demand making up for export weakness But he mentioned some of the challenges, especially the growing timber deficit and changing regulatory environment. He described enabling factors which are risk-management tools, including: transparency, buyer engagement, monitoring, capacity building, market-based governance and strong corporate policy.

Ms. Wendy SHI, PhD Student in forest products marketing, Penn State University

She spoke about the benefits of trade show marketing. She mentioned the differences between developed and emerging markets. As previous speakers, she mentioned how China's domestic market making up for any downturn in exports.

Dr. Zhiyong LI, Deputy Director General of the International Network for Bamboo and Rattan (INBAR), Guest Researcher of the Research Center for Economics and Trade in Forest Products of the State Forestry Administration, Chief Green Economist of the International Centre for Bamboo and Rattan and Vice President of the China Bamboo Industry Association.

He presented GPP, Green Public Procurement, and asked, "Are we using forests in a rational way?" He spoke about the Lacey Act & EUTR challenges in the face of sustainable development of China's green economy. In a policy assessment of the problems of GPP he said there is:

- A negative correlation between the social awareness of the values of wood, for example, only 25% care about green/eco products
- A problem in carrying out GPP, in part because of the lack of assurance of imports' legality
- A need to have a stepwise implementation of GPP

Following the presentations above, there was a discussion period.

Richard Bergman asked why Jeff Cao focused on FSC? Jeff responded that the Rainforest Alliance is open to consider all certification systems.

I asked what's status of China certification. Dr. Li said China is developing certification system because of demand from EU and US markets.

Mike Wolcott asked about improving supply chain efficiencies through regulation. Jeff Cao said eco demands have costs, and need short-term subsidies, to lead to long-term economies.

Dr. Marius Barbu, Professor at Faculty for Wood Industry, Transilvania University, Braşov Romania, and Professor at the University for Applied Sciences Salzburg, Austria.

Dr. Barbu introduced that population trends have an impact of FP demand. Globally timber production and consumption trends are dominated by China. He said recycled fibre use increasing and that there is a continuing threat by substitution. He mentioned a forthcoming shortage due to wood energy use forecasts.

Dr. Hasan Tezcan Yildirim, Istanbul University Faculty of Forestry

Dr. Yildirim presented Turkish wood-based panel industry – Future raw material challenges and suggestions. He said the Turkish panel industry is the most dynamic in Europe. Like China, Turkey also has a resource question. Being the 4 or 5th largest global panel producer, the industry expansion is limited by raw material (domestic and imported).

Mr. Shengfu WU, Director of the Market department of China National Forest Products Industry Association and Director of Green Panel Corporation

He presented the history and development of wood products in China. He showed the world's oldest wooden structure, a pagoda built 1056, which is 67 meters high. He presented China's wood industry issues:

- Production costs increase
- Labor cost
- Exchange rate
- Efficiency the best
- Workers diligent and disciplined → good quality
- Recovery highest
- Technically advantageous

Ms. Jolanda Junkhart, INBAR

She presented topical issues in bamboo trade, and spoke about the importance of the HS trade codes. She mentioned that globally bamboos export value is declining. The top importers are the EU 29%, US 18%, Japan 11%, Canada 4%.

In conclusion, I reiterate what Mr. Shengfu Wu said, "China has something magic!"