

Current State, Challenges and Adjustment Strategies of China's Forest Products Trade

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Outline

- **The current state of China's forest product trade**
- **The current situation of China's industrial foundation for the development of forest products trade**
- **The challenges of China's forest product trade**
- **The future adjustments for China's forest product trade**

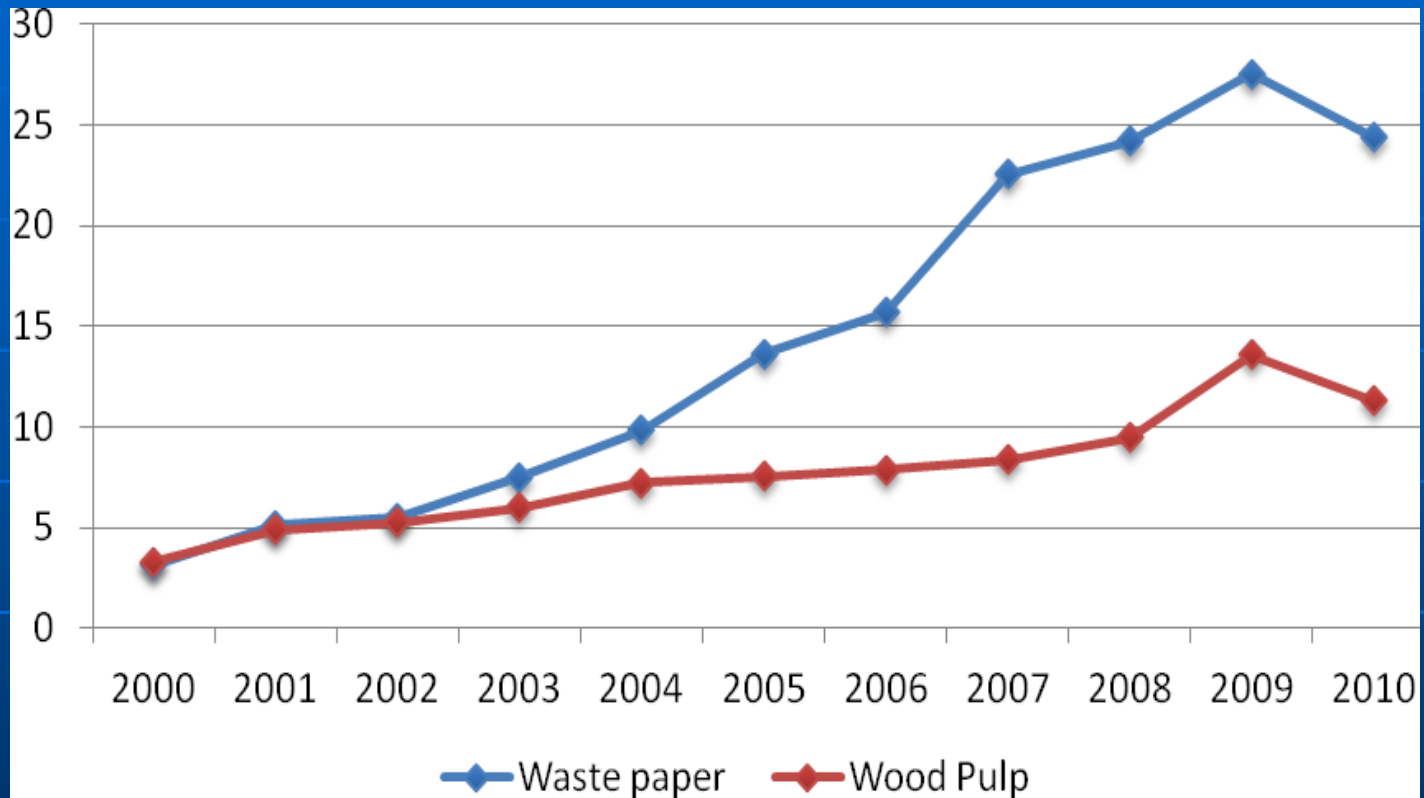
The current state of China's forest product trade

Import of Log and Sawn wood



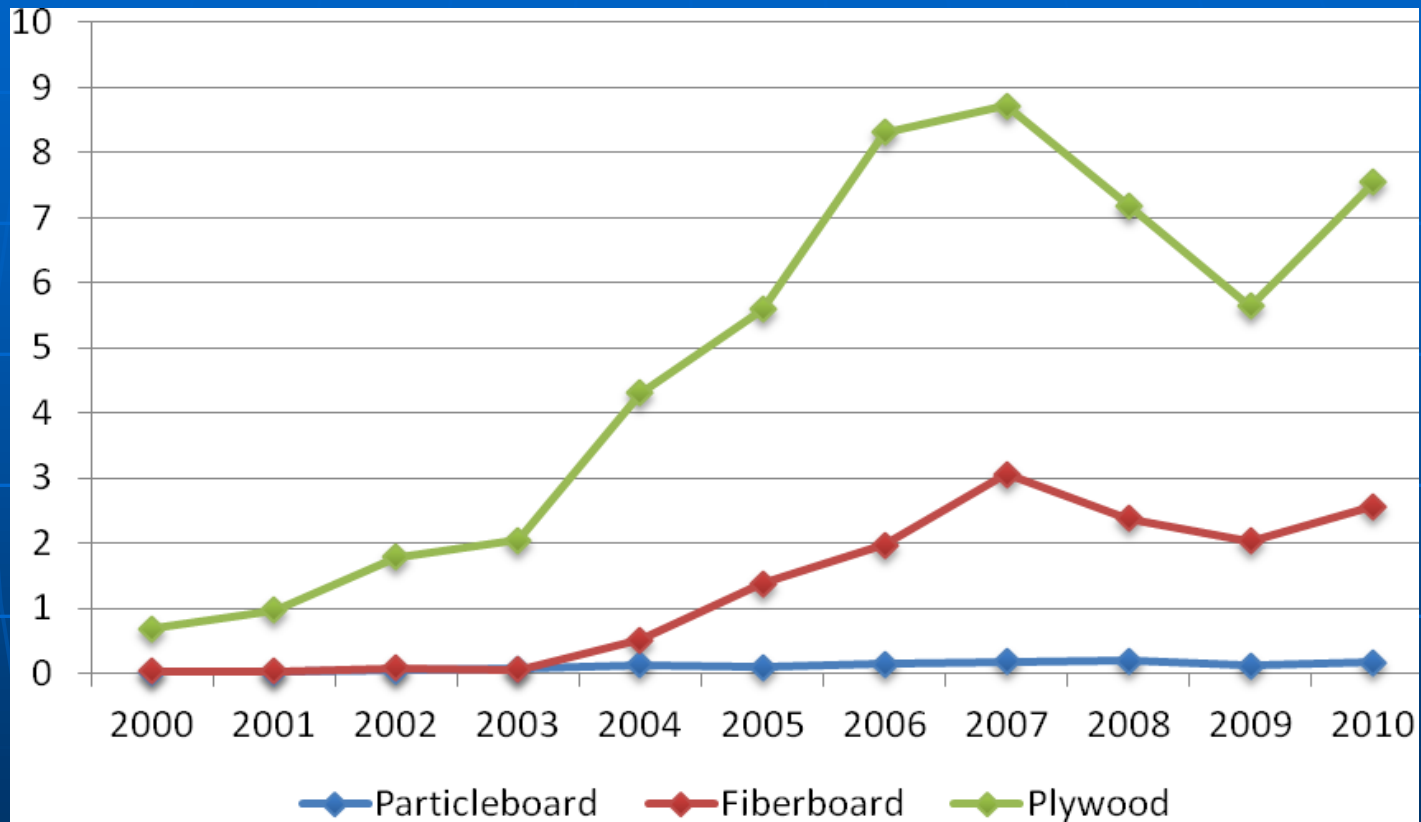
Unit: million m³

Import of waste paper and wood pulp



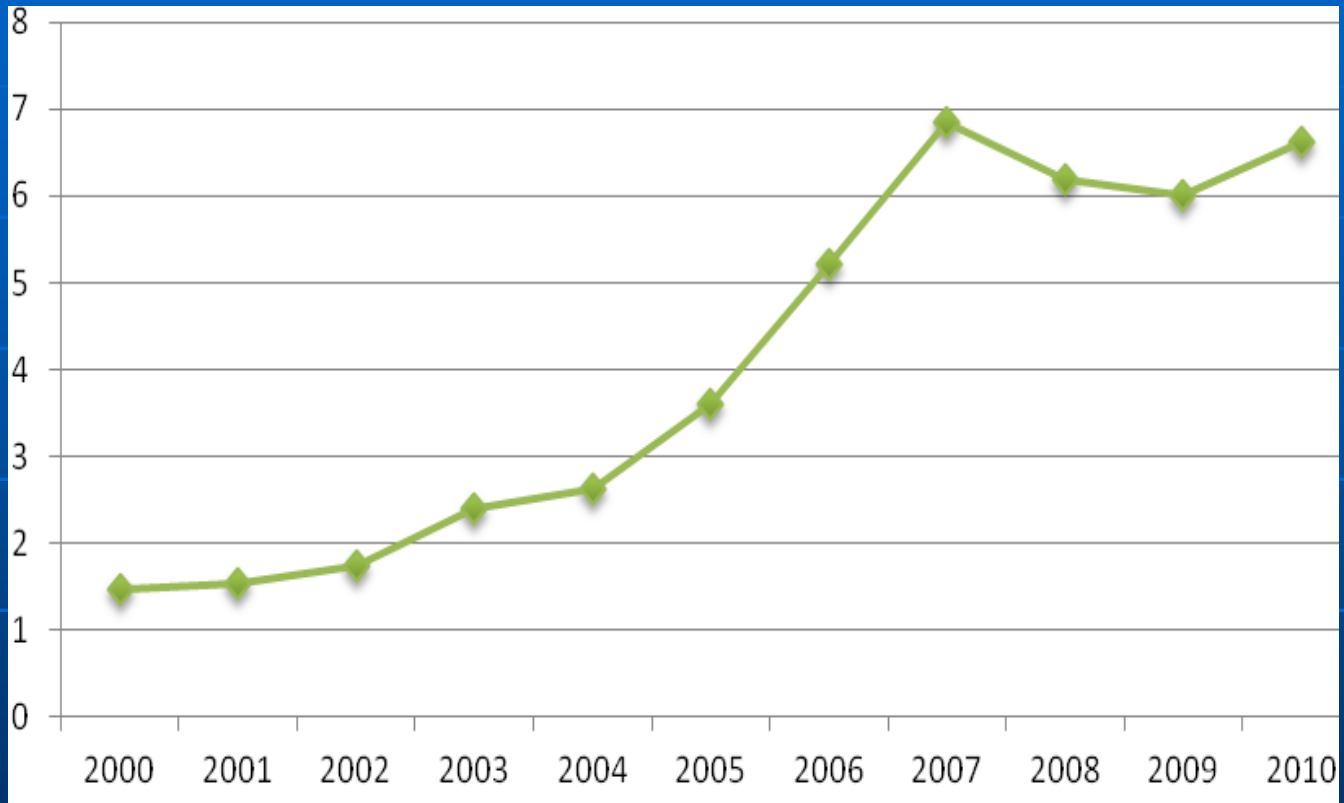
Unit: million tons

Export of wood-based panel



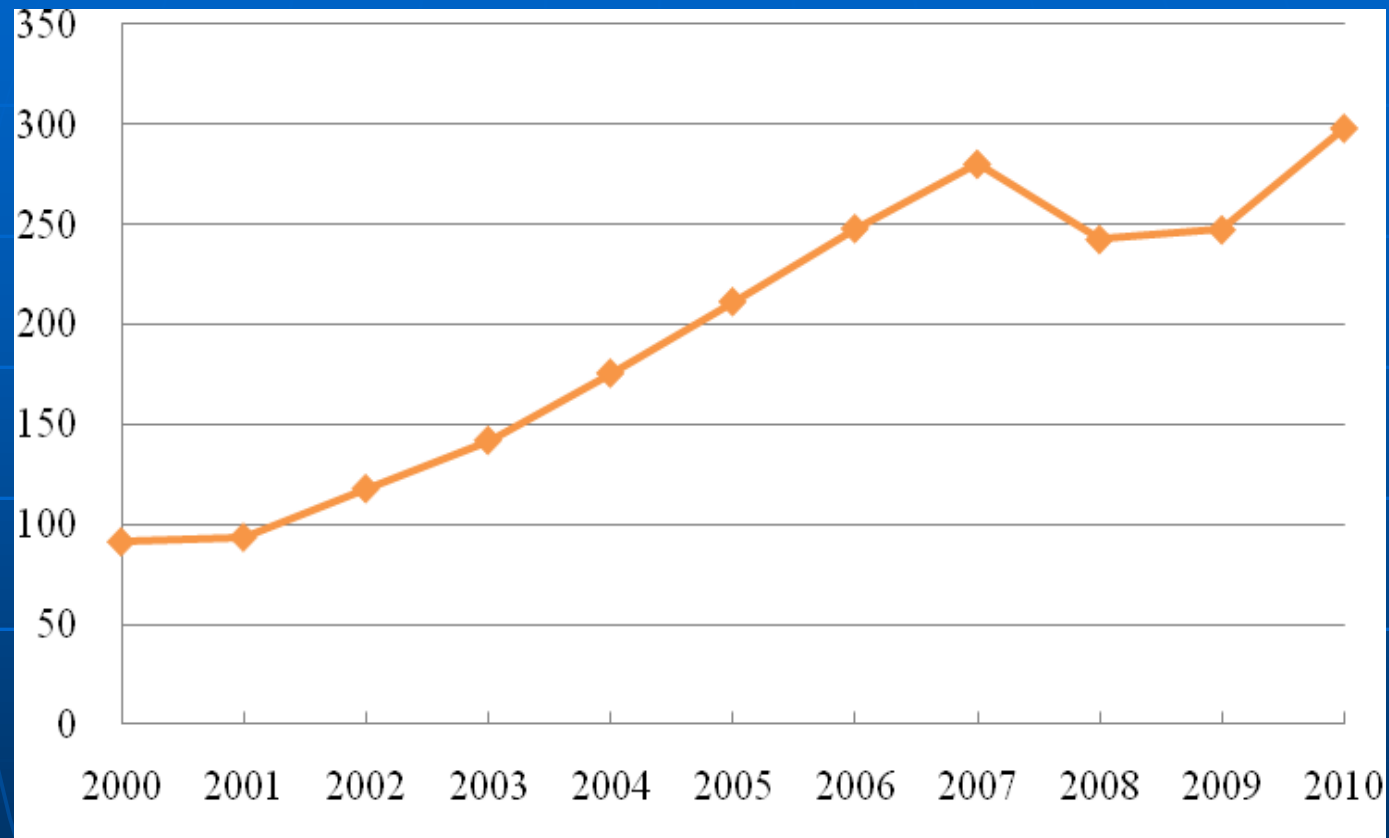
Unit: million m³

Export of paper and paper products



Unit: million tons

Export of wooden furniture



Unit: million items

The current situation of China's industrial foundation for the development of forest products trade

Industrial organization

Degree of industrial concentration of China's forestry industry from 2001 to 2010(%)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--------------------------|------|------|------|------|------|------|------|------|------|------|
| Wood processing industry | 18.1 | 17.9 | 16.9 | 22.1 | 25.1 | 22.8 | 30.1 | 33.4 | 32.9 | 32.5 |
| Furniture industry | 10.6 | 11.3 | 12.3 | 16.9 | 19.6 | 17.7 | 20.7 | 21.3 | 19.6 | 19.4 |
| Papermaking industry | 44.1 | 44.9 | 43.1 | 54.1 | 54.6 | 47.3 | 54.1 | 54.7 | 47.2 | 45.8 |

Source: China Statistical Yearbook

The pattern of the industrial organization of China's forestry industry is almost in a state of perfect competition and the scale business of China's forestry industry is still yet to be formed.

Industrial technology

The annual technology innovation input of the large and medium-sized enterprises of the forestry industry from 2003 to 2010 (%)

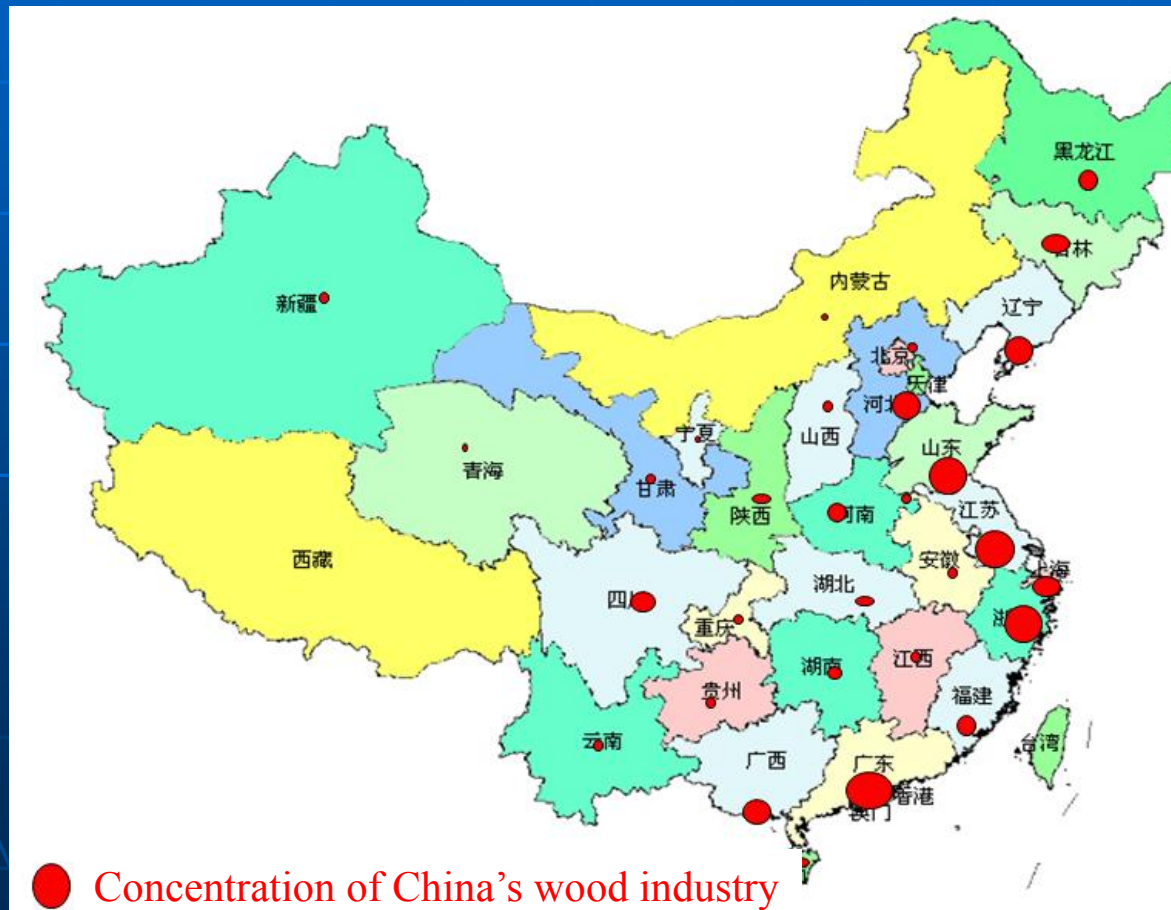
| | Technology development | Technology reformation | Technology import | Technology absorption |
|--------------------------|------------------------|------------------------|-------------------|-----------------------|
| National industry | 1.61 | 1.88 | 0.30 | 0.05 |
| Wood processing industry | 0.81 | 1.03 | 0.21 | 0.03 |
| Furniture industry | 0.42 | 0.33 | 0.03 | 0.01 |
| Papermaking industry | 1.15 | 1.68 | 0.41 | 0.03 |

Source: China Statistical Yearbook on Science and Technology

In terms of technology development, reformation, import and absorption, the average annual input of the large and medium-sized enterprises in the forestry industry was less than that of the national large and medium-sized enterprises from 2003 to 2010. Even within the forestry industry, there is an imbalance in technology level among different industries.

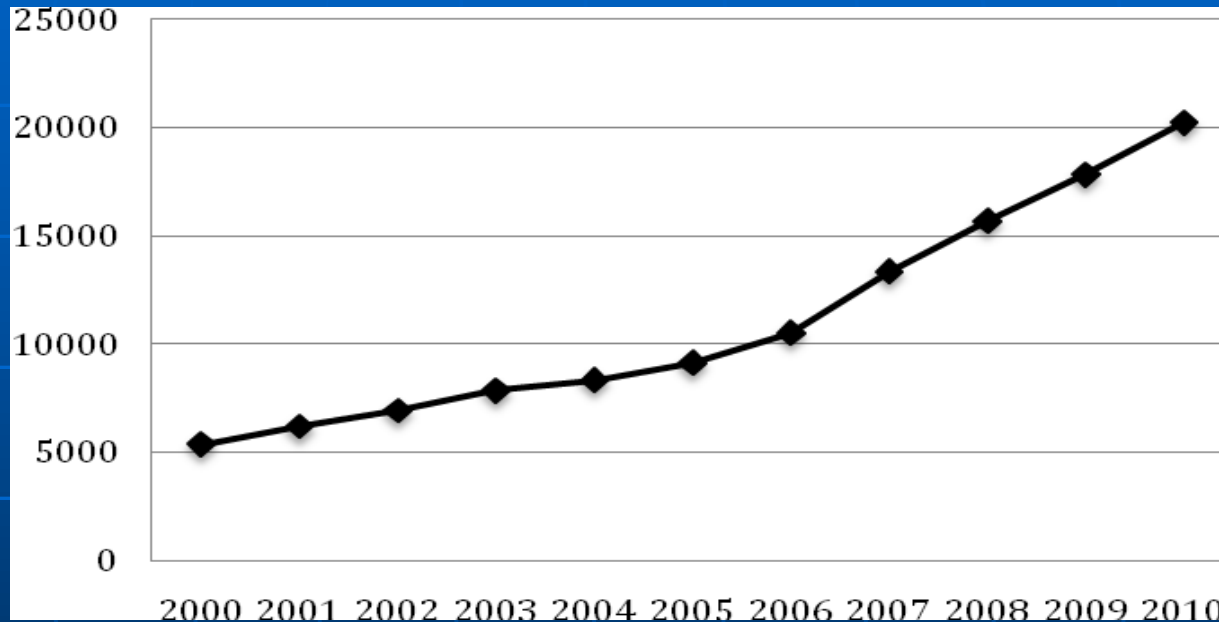
Industrial layout

There appears to be a typical industrial cluster phenomenon in the layout of China's forestry industry.



Domestic challenges of China's forest product trade

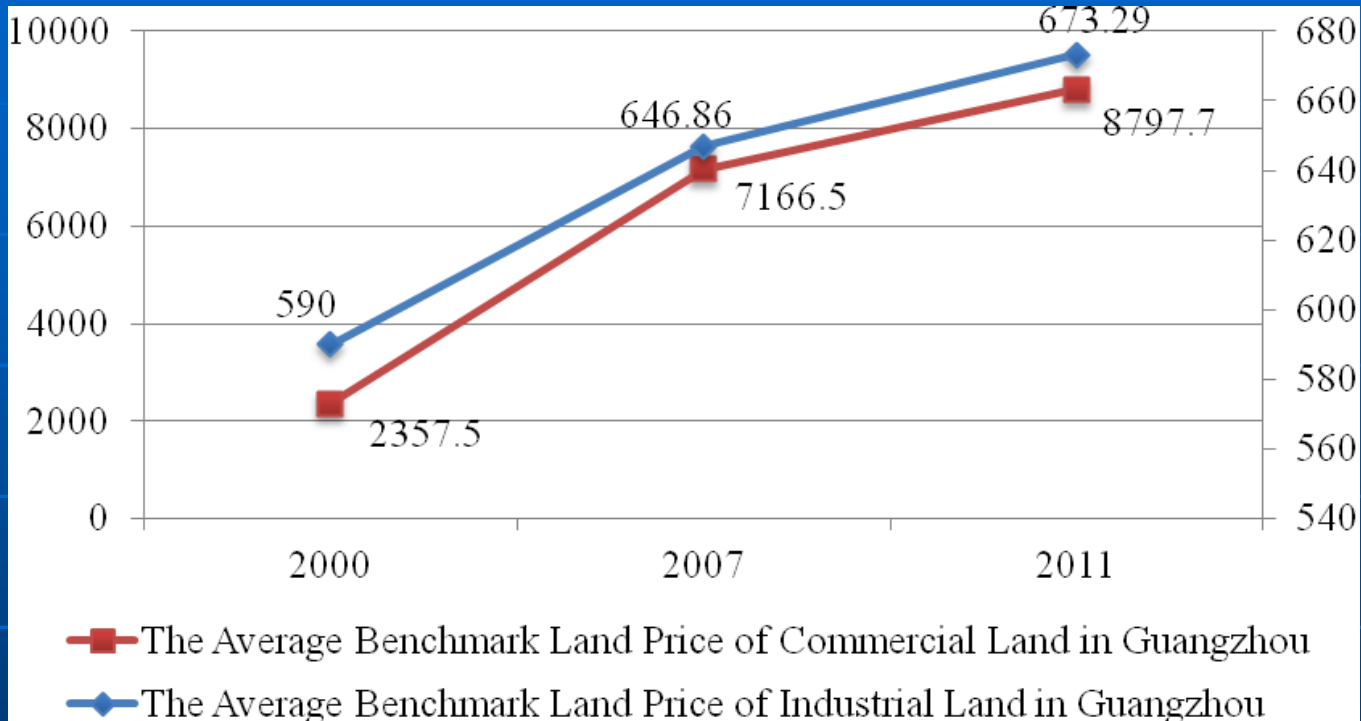
Labor Cost



The average annual salary of the workers in the state-owned forest industries from 2000 to 2010 (RMB)

The rise of the labor cost undermines the comparative advantages of China's forest products; as a result, some of the products orders are won over by the Southeast Asia countries.

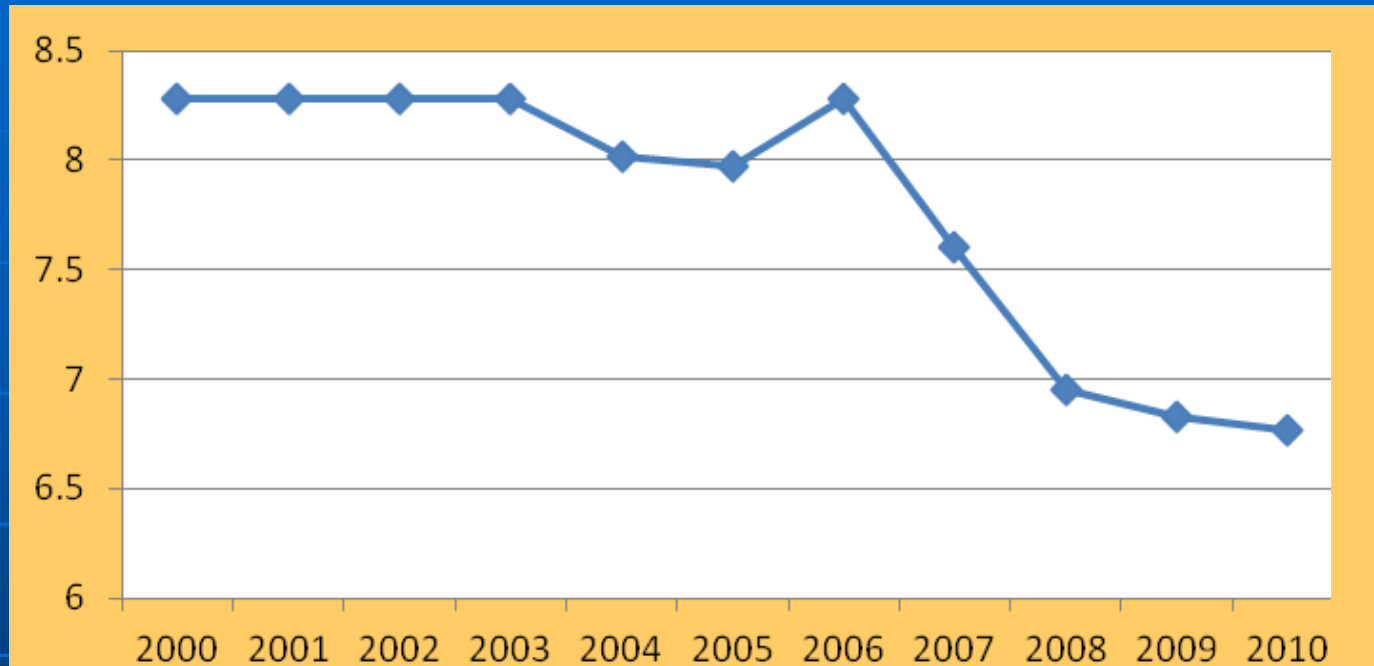
Land Cost



the changing tendency of the average standard land price in Guangzhou from 2000 to 2010(RMB/m²)

The rising land prices not only increase the cost of production, but also increase the cost of sales and logistics.

The appreciation of RMB exchange rate



The changing tendency of the average exchange rate of USD to CNY from 2000 to 2010

The appreciation of RMB has brought immeasurable pressures to many enterprises that rely heavily on the processing and export of forest products particular in light that many of them are now still in the stage of capital accumulation.

International challenges of China's forest product trade

- **The supply of the world timber resources is now in greater need**
- **The legality verification for timber trade is becoming more demanding**
- **The market of low value-added forest products becomes more competitive**

The future adjustments for China's forest product trade

Adjustment of resource foundation

- **Laying stress on the cultivation and use of domestic timber plantation resources**
- **Continuing to take advantage of international timber resources**
- **Realizing the transformation of resource foundation**

The future adjustments for China's forest product trade

Adjustment of market foundation

- **Cultivating domestic market**
 - develop products which are suitable for domestic market demands
 - put more efforts to domestic marketing
- **Diversifying the export market**
 - penetrate into the emerging markets in Mexico, India, Russia, Turkey and Brazil as well as to keep the traditional export destinations

The future adjustments for China's forest product trade

Adjustment of strategies of industrial competition

Adopt a proper industrial organization policy and achieve the shift from decentralized operation to operations on scale-of-economies through merger and reorganization.

- **Standardizing the industrial scales**
- **Strengthening the market of property right transactions**
- **Facilitating the development of large-scale enterprises**

Thank you!