

CHINA ANNOUNCES WTO OFFER FOR WOOD PRODUCTS

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On November 15, 1999, the United States and China successfully completed bilateral talks on China's accession to the World Trade Organization (WTO). This agreement will provide significant access for U.S. agricultural and industrial products and services. The benefits for the U.S. solid wood industry and related sectors will be many. Total U.S. solid wood products to

as China increasingly turns to the world market and to U.S. suppliers to meet its housing, furniture, interior paneling and flooring needs. The United States currently supplies more than 5 percent of China and Hong Kong's import needs for solid wood products and this is expected to grow as privatization of trade, construction, and marketing increases and import tariffs

decrease. Until the mid 1990's, direct trade was limited due to China's tariffs (some in excess of 50 percent) and cumbersome import procedures controlled by government monopolies.

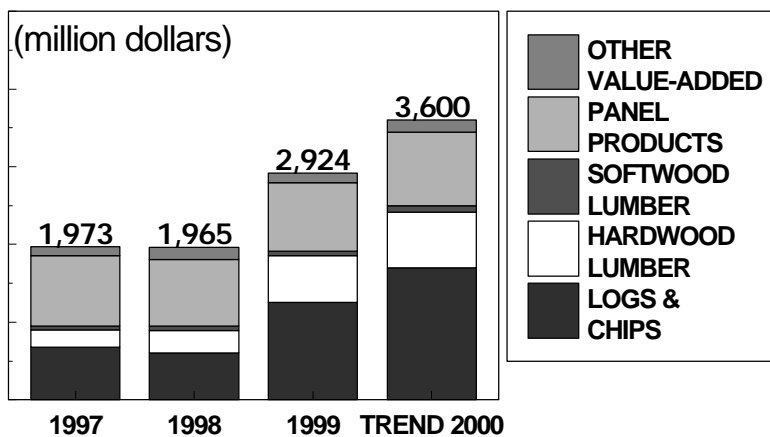
China in the year 2000 is now Asia's fastest growing importer of solid wood products and Asia's largest furniture exporter. In January 1999, China lowered its import tariffs on all logs and lumber to zero in order to reduce the pressure on domestic forest resources and the subsequent soil erosion. China's total solid wood imports increased by 50

percent in 1999 to \$2.9 billion, making it the second largest Asian importer after Japan. Data on production and manufacturing capacity are sketchy at best. China's annual allowable cut is set at 55-60 million cubic meters (cum). According to recent industry estimates, however, membership in China's furniture and plywood manufacturer's associations is now in excess of 50,000 firms.

China and Hong Kong reached \$161 million in 1999, nearly half of which were direct sales to China. Hong Kong, which has zero tariffs for solid wood products, is a separate country for entity purposes. Hong Kong is also a significant gateway into the China market because of their traders' expertise in managing large-scale, high-value shipments. Nearly all U.S. solid wood exports to China and Hong Kong are comprised of value-added solid wood commodities.

U.S. exports are expected to grow in 2000

TOTAL IMPORTS OF SOLID WOOD PRODUCTS BY CHINA



Source: World Trade Atlas/Chinese Customs

Trend 2000 based on Jan - June imports.

Currently China's import tariffs on solid wood products average 11 percent, with tariffs reaching as high as 21 percent. There is also a value-added tax of 13 percent. China's accession to the World Trade Organization (WTO), however, includes a commitment to reduce the tariff rate to an average of 4 to 7.5 percent by 2005. Tariff reductions will proceed in stages, and tariffs for many items will fall by as much as 75 percent. Tariffs for veneer, for example, will fall from the current 10 percent to 3-4 percent by 2002, while tariffs for molding, plywood, and fiberboard will fall from the current range of 15-18 percent to 4 percent by 2004. The lowering of the tariff barrier will make U.S. wood products more affordable, enabling Chinese consumers and manufacturers to purchase a wider variety of U.S. wood products more frequently. A table identifying specific reductions and implementation periods follows.

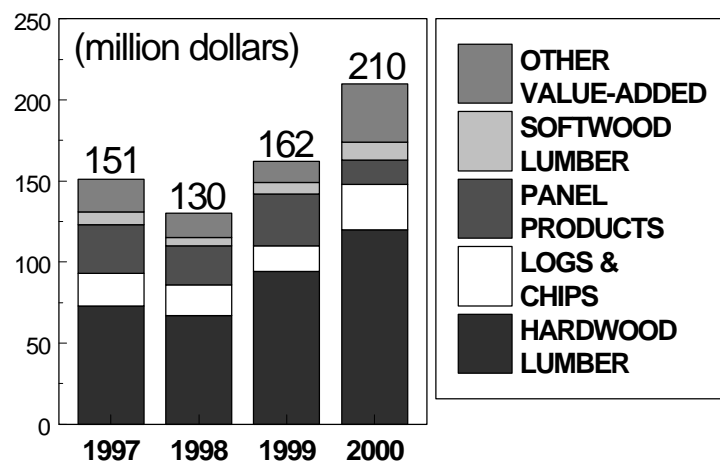
The Opportunities

Although the United States is ranked as the sixth largest supplier, China's recent housing reforms to privatize land, mortgages and development are creating new demand for U.S. value-added solid wood commodities. Exports of hardwood lumber to Greater China topped the \$90 million mark in 1999 and are expected to reach a record \$120 million in 2000. Exports of other value-added commodities to meet the needs of China's housing, interior, panelling and

furniture markets also reached a record \$52 million in 1999 and strong growth is again expected in 2000.

The United States and China in 1998 embarked on a bilateral Presidential Housing Initiative whereby the United States would

U.S. SOLID WOOD EXPORTS TO CHINA & HONG KONG



Source: US Trade

Trend 2000 based on Jan - May exports.

provide assistance with mortgage management, low-income housing policy, and building standards and codes that would favor the use of renewable resources, such as wood, in commercial and residential property development. This provides the United States with an opportunity to export ultra value-added softwood products, including composite lumber, glue-laminated beams, joists and trusses. Previously, trade in these products was unheard of due to a lack of understanding of the technology and insurmountable monopoly controls. With the privatization of China's real estate market and active FAS market promotion programs servicing this sector, the demand for these

and other U.S. products can only be expected to grow.

The Bottom Line for the U.S. Solid Wood Industry

- Granting permanent normal trade relations to China and China's subsequent accession into the WTO will benefit the whole supply chain, creating economic benefits not only for U.S. solid wood owners, manufacturers, exporters, and consolidators, but also for companies involved in port handling, transportation, storage, and grading.
- As export sales grow, jobs will be created and supported in the solid wood manufacturing sector and other industries. Solid wood exports support nearly 600,000 jobs throughout all 50 states, but especially assist the economies of the coastal states, from California to Alaska and from Texas to Maine. The supporting industries earn profits from resale, export, storage, shipping, transportation, finance, and other related activities.

The People's Republic of China
Schedule of Tariffs for the Importation of Solid Wood Products
Upon Accession to the World Trade Organization

<u>Harmonized System Line (Customs Code)</u>	1998	Final	-----Schedule of Implementation*-----					
	<u>Base</u> <u>Rate</u>	<u>Bound</u> <u>Rate</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Fuelwood								
4401.1000	8	7	7					
Wood Chips & Wood Waste								
4401.2100, 4401.2200 & 440.1.3000	1	1	1					
Wood charcoal								
4402.0000	12	10.5	10.5					
Logs								
All 4403.1000 - 4403.9990	2	1	1					
Hoopwood								
4404.1000 & 4404.2000	10	8	8					
Wood Wool & Wood Flour								
4405.0000	9	8	8					
Wood Cross Ties								
4406.1000 & 4406.9000	3	2	2					
Lumber								
Coniferous								
4407.1000	3	1	1					
Oak & Beech								
4407.9100 & 4407.9200	3	1	1					
Teak								
4407.2910	9	5	7	5				
Camphor, Nanmu, or Rosewood								
4407.9910	9	1	7	5	3	1		
Other Tropical Hardwood Species								
4407.2400, 4407.2500, 4407.2600 & 4407.2990	3	3	3					
Paulownia & Other Temperate Hardwood								
4407.9920 & 4407.9990	3	2	2					
Veneer								
Softwood Veneer Sheets								
4408.1010	10	4	8	6	4			
Tropical Hardwood Veneer Sheets								
4408.3110 & 4408.3910	8	4	6	4				
Temperate Hardwood Veneer Sheets								
4408.9010	8	3	6.3	4.7	3			
Softwood Sheets for Plywood								
4408.1020	6	4	4					
Tropical Hardwood Sheets for Plywood								
4408.3120 & 4408.3920	5	4	4					
Temperate Hardwood Sheets for Plywood								
4408.9020	5	3	3					
Other Veneer, Softwood								
4408.1090	8	4	6	4				

* Years with bold formatting indicate the final level at which the tariff will be bound and implemented.

<u>Harmonized System Line (Customs Code)</u>	1998	Final	-----Schedule of Implementation-----					
	<u>Base Rate</u>	<u>Bound Rate</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Other Veneer, Tropical Hardwood 4408.3190 & 4408.3990	8	4	6	4				
Other Veneer, Temperate Hardwood 4408.9090	8	3	6.3	4.7	3			
Molding								
Coniferous 4409.1000	15	7.5	13.1	11.3	9.4	7.5		
Non-Coniferous 4409.2000	15	4	12.8	10.6	8.4	6.2	4	
Particleboard								
Of Wood, Including OSB 4410.1100 & 4410.1900	18	4	15.2	12.4	9.6	6.8	4	
Not of Wood 4410.9000	18	7.5	15.9	13.8	11.7	9.6	7.5	
Fiberboard								
Hardboard 4411.1100	15	4	12.8	10.6	8.4	6.2	4	
Laminated Hardboard 4411.1900	18	7.5	15.9	13.8	11.7	9.6	7.5	
Medium-Density Fiberboard (MDF) 4411.2100 & 4411.2900	18	4	15.2	12.4	9.6	6.8	4	
Other Fiberboard 4411.3100, 4411.3900 & 4411.9100	12	7.5	10.5	9	7.5			
Other Laminated Fiberboard 4411.9900	12	4	10	8	6	4		
Plywood								
Consisting Solely of Sheets of Wood								
Tropical Hardwood Face 4412.1300	15	12	13.5	12				
Temperate Hardwood or Softwood Face 4412.1400 & 4412.1900	15	4	12.8	10.6	8.4	6.2	4	
Not Entirely of Sheets of Wood with Face of Non-Coniferous Wood								
Containing one Tropical Hardwood, Temperate or Softwood Ply 4412.2200 & 4412.2900	15	10	13.3	11.7	10			
Not Entirely of Sheets of Wood with Face of Coniferous Wood								
One Tropical Hardwood Ply 44129200	15	8	13.3	11.5	9.8	8		
One Layer Particleboard 44129300	15	10	13.3	11.7	10			
Other 44129900	15	4	12.8	10.6	8.4	6.2	4	
Densified Wood 4413.0000	10	6	8	6				
Wood Picture & Photo Frames 4414.0000	22	20	20					

<u>Harmonized System Line (Customs Code)</u>	1998	Final	-----Schedule of Implementation-----					
	Base	Bound	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Wood Cases, Drums, Pallets All 4415.1000 - 4415.2000	18	7.5	15.9	13.8	11.7	9.6	7.5	
Wood Casks, Barrels, & Tubs 4416.0000	18	17	17					
Wood Tools & Tool Bodies 4417.0000	18	17	17					
Wood Windows, Doors, Window & Door Frames, and Parquet Panels 4418.1000, 4418.2000, & 4418.3000	18	4	15.2	12.4	9.6	6.8	4	
Concrete Forms 4418.4000	20	4	16.8	13.6	10.4	7.2	4	
Shingles & Shakes 4418.5000	18	7.5	15.9	13.8	11.7	9.6	7.5	
Other Builder's Carpentry of Wood 4418.9000	18	4	15.2	12.4	9.6	6.8	4	
Wood Table & Kitchenware 4419.0000	21	0	17.5	14	10.5	7	3.5	0
Wood or Bamboo Statuettes, Fans & Ornaments 4420.1010, 4420.1020, & 4420.1090	21	0	17.5	14	10.5	7	3.5	0
Wood Marquetry or Inlaid Wood 4420.9010	12	0	9.6	7.2	4.8	2.4	0	
Wood Clothes Hangars 4421.1000	21	0	17.5	14	10.5	7	3.5	0
Wood Spools 4421.9010	10	0	8	6	4	2	0	
Other Wooden Articles 4420.9090 & 4421.9090	21	0	17.5	14	10.5	7	3.5	0