

# FOREST PRODUCTS FEATURE ARTICLES

## VIETNAM'S EMERGING MARKET

*By Tony Halstead, Agricultural Economist*

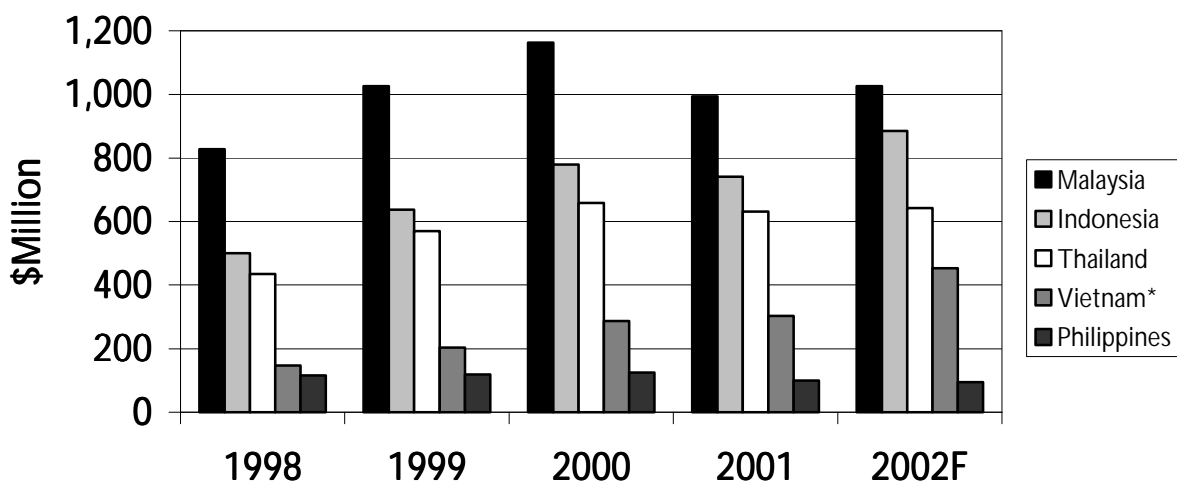
Vietnam has emerged as a new market for U.S. wood products. Between January 2002 and August 2002, wood exports to Vietnam were valued at \$15.4 million. Hardwood lumber and hardwood logs have led the charge, accounting for over 85 percent of the value of wood exports. In 1996, U.S. exports of wood products to Vietnam were valued at just \$0.5 million and exports of wood products had only reached \$4.5 million in 2001.

Although this growth seems sudden, its roots can be traced back to Vietnam's economic reforms and trade liberalization policies. Since 1995, Vietnam has been working towards the goal of entering the World Trade Organization. That same year, Vietnam joined the Association of

Southeast Asian Nations, putting it on equal footing with neighboring countries. In 1998, Vietnam joined the Asia-Pacific Economic Cooperation, which expanded Vietnam's market access to Japan, the United States, Canada, Mexico, and 17 other countries. In 1999, Vietnam acceded to the European Community-ASEAN Cooperation Agreement, gaining mutual Most-Favored-Nation (MFN) treatment with the European Community. The following year, Vietnam entered into an MFN agreement with the United States.

As a result of these trade agreements, Vietnam gained significant market access to many of the world's largest economies. Because labor costs are extremely low in Vietnam, many of its products are competitive in world markets. Vietnam's furniture industry has grown as a result of this combination of increased market access and low labor costs.

## Wooden Furniture Exports

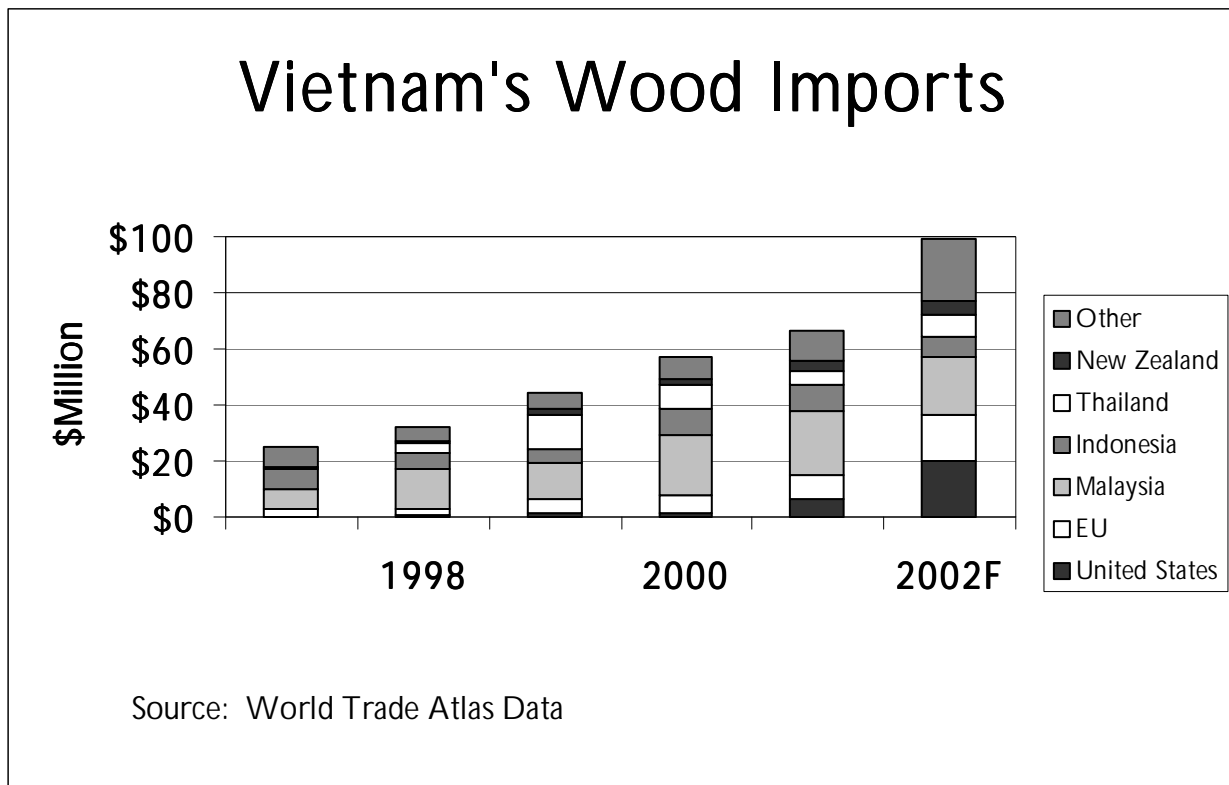


Source: World Trade Atlas Data  
\*Derived From Major Importing Countries

In 1996, Vietnam exported an estimated \$100 million of wooden furniture. By 2001, exports had increased to almost \$300 million and they are on pace to reach about \$450 million in 2002. To put this figure into perspective with other Southeast Asian countries, in 2001, wooden furniture exports from Malaysia, Indonesia, Thailand, and the Philippines were \$1 billion, \$750 million, \$630 million, and \$100 million, respectively.

U.S. Vietnam Bilateral Trade Agreement in 2000, wooden furniture exports increased to an estimated \$10 million in 2001, and could reach \$50 million in 2002.

As Vietnam's furniture industry grows, so too does its demand for logs and lumber. The industry must supply furniture manufactured from woods acceptable to customers. Locally grown woods were in adequate supply and of suitable species. However, decades of unsustainable harvests



Over 50 percent of Vietnam's wooden furniture exports are shipped to the European Union (EU), 20 percent are exported to Japan, and 10 percent are exported to the United States. In 1996, Vietnamese wooden furniture exports to the EU were valued at roughly \$44 million. After gaining mutual MFN status in 1999, Vietnam's 2000 wooden furniture exports to the EU totaled \$160 million. Similarly, Vietnam's wooden furniture exports to the United States were an estimated \$2 million in 1999. Following the

depleted Vietnam's forests. Between 1960 and 1985, annual timber production totaled 2 million cubic meters. Since the mid 1980's, annual production has decreased steadily to the current level of about 300 thousand cubic meters. In addition to this official figure, industry sources estimate that an additional 300 thousand cubic meters is harvested illegally each year.

Vietnam is increasingly relying on imported wood to supply its growing wood processing industry. In 1997, imports of

wooden products amounted to an estimated \$25 million. By 2001, imports increased to an estimated \$70 million, and could reach \$100 million in 2002.

In 1997, Indonesia and Malaysia were the primary suppliers, each exporting an estimated \$7 million of wood products to Vietnam. By 2001, Indonesia's exports had increased to \$9 million, while Malaysia's exports totaled \$23 million.

As Vietnamese imports of wood products increase, so too does the competition. In 2002, the United States and the EU have increased market share to an estimated 20 percent. Indonesia's market share has fallen below 10 percent while Malaysia leads all suppliers with an estimated 33 percent share. Imports from Thailand and New Zealand are also on the rise with market shares of 10 percent and 5 percent, respectively.

## **BUILDING NATURAL AND CULTURAL COMPONENTS IN THE CARIBBEAN**

*By Lashonda McLeod, Agricultural Marketing Specialist*

Tourism is the Caribbean's major industry, with beach resorts and hotels offering a wide range of accommodations coupled with rich history and culture attractions.

The Government of Jamaica plans to encourage economic development with a new vision for its tourism sector. The plan is to integrate the Jamaican community and its cultural heritage with traditional tourism through naturally built and cultural components. The Ministry of Tourism and Sports is advocating eco-tourism to add diversity to the tourism sector and provide environmentally conscious tourists an opportunity to appreciate Jamaican arts and culture in a peaceful and natural

environment. Tourism activity in the Dominican Republic is concentrated in the coastal beach towns in the north, east, southeast, and in the capital city of Santo Domingo. Eco-tourism is mainly concentrated in the interior of the country, with a wide variety of excursions that offer hiking and biking through mountains and the countryside. The Dominican Association of Hotels and Restaurants announced a US\$16 million fund to promote tourism in the Caribbean region. The Caribbean governments contributed US\$4 million (DOP\$ 78 million); the private sector contributed US\$8 million (DOP\$ 156 million), and the other countries contributed US\$4 million (DOP\$ 78 million) with tourism interests in the region.

## **TRAVEL TRENDS**

Tourism is essential to the economy of most Caribbean countries and the region is heavily dependent on tourists from the United States. In 1999, 70-percent of the airline visitors to Jamaica were from the United States. The total number of airline visitors by U.S. residents to Jamaica was 870,019, including 158,069 from New York, representing 18-percent of U.S. visitors. In 2001, 2.1 million tourists visited Jamaica, down 5-percent from 2000. The average hotel room occupancy for 2001 was 56 percent, a 2.5-percent decrease from the 2000 levels (Table 1).

Table 1. Jamaica's Tourism – Performance Indicators, 1997-2001

	1997	1998	1999	2000	2001
Total visitors – million persons	1.9	1.9	2.0	2.2	2.1
Airline visits - million persons	1.2	1.2	1.2	1.3	1.3
Cruise passengers – million persons	0.7	0.7	0.8	0.9	0.8
Hotel occupancy rates (percent full)	55.7	58.7	57.0	58.5	56.1
Foreign exchange earnings (US\$ million)	1,130	1,197	1,280	1,333	1,235

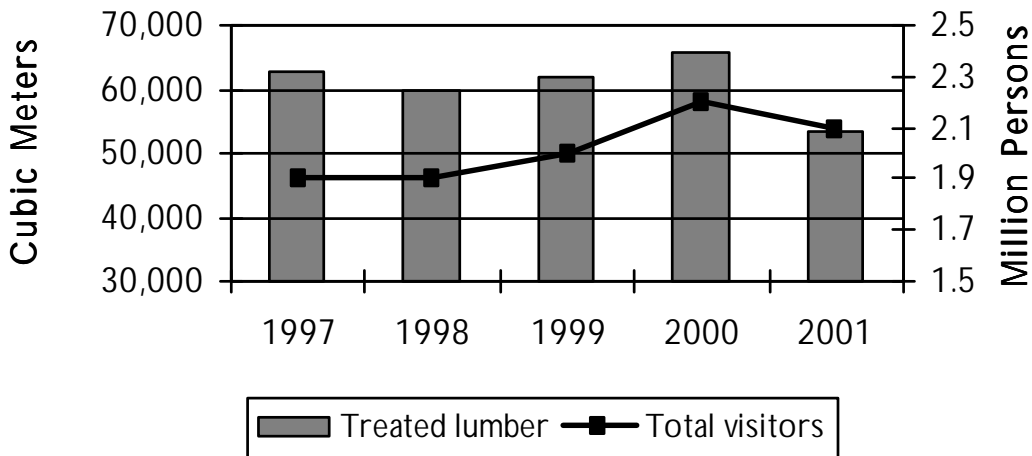
Source: Jamaica Tourism Board

### U.S. FOREST PRODUCTS EXPORTS

The greatest opportunities in Jamaica for U.S. wood products are in high-end housing and resort developments. Developers of eco-tourism type resorts are likely to demand relatively more wood, for the natural look. Developers often specify pressure-treated lumber for safety and liability reasons when constructing bridges, boardwalks, gazebos, marinas, and decks.

U.S. exports of treated lumber and total visitor arrivals to Jamaica have similar trends over the past 5 years. During 1999-2000, the number of Jamaican tourist increased 10-percent and U.S. treated lumber exports to Jamaica increased 5.9-percent. The 4.5-percent decline in tourism from 2000 to 2001 was mirrored closely by an 18-percent decline in U.S. exports of

Figure 1: Comparison of Jamaican Tourist and U.S. Exports of Treated Lumber to Jamaica, 1997-2001



Source: U.S. Department of Commerce, Bureau of the Census and Jamaica Tourist Board.

treated lumber (Figure 1).

U.S. softwood and treated lumber sales to the Dominican Republic were valued at US\$40 million in 2001 and US\$44 million in 2000. The construction sector was given new impetus by Hurricane Georges in 1998. The sector, as calculated by the Central Bank of the Dominican Republic, grew by 18.2-percent in 1999, but fell by 5.2-percent in 2000. The overall growth was stimulated by an increase in private sector housing and commercial construction. In 1999, U.S. forest product exports to the Dominican Republic totaled \$53.8 million. Strong efforts to protect the natural resources in the Dominican Republic, the reconstruction effort after Hurricane Georges, and the central Government's construction efforts, make this market particularly attractive. However, relatively high tariffs continue to constrain the industry's growth, as construction inputs remain artificially high.

### SOUTHERN YELLOW PINE LUMBER

Pressure treated, southern yellow pine lumber is ideal for the warm, humid climates of the Caribbean. It is highly resistant to decay and pests and has distinct advantages over concrete and steel in terms of cost, appearance, construction, speed of installation, and aesthetic appeal. When constructed properly, southern yellow pine lumber can perform as well as other

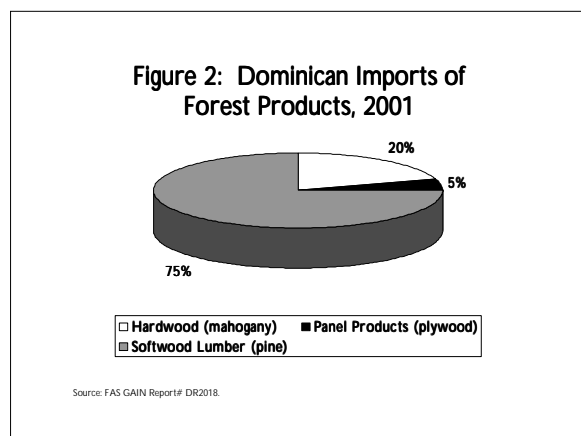
construction materials in high wind applications. The U.S. industry's competitive advantage of producing graded lumber with assigned structural values attesting to its strength and recommended end-use, assures buyers of the durability of pressure treated, southern yellow pine lumber. U.S. hardwood lumber

There is also great potential for U.S. hardwoods in the Dominican Republic, particularly for doors, flooring, and furniture made from U.S. hardwoods. The hardwood lumber market in the Dominican Republic is led by mahogany from Brazil, Nicaragua, Columbia, and Peru. The mahogany is mainly used for furniture, paneling, cabinets, doors, and trim. It has been estimated the Dominican Republic imported over US\$12 million of mahogany in 2001. In contrast, U.S. exports of all species of hardwood lumber to the Dominican Republic should reach about \$1.5 million in 2002.

DR imports of primary and secondary wood products totaled about \$75 million in 2001, and were comprised as follows: 20-percent hardwood lumber (mostly mahogany), 5-percent panel products (plywood) and 75-percent softwood lumber (mostly southern yellow pine) (Figure 2).

### OUTLOOK

The Government of Jamaica has invested \$5 million dollars to market Operation Grow, an advertising, marketing, and promotional campaign aimed at its tourism sector. Particularly promising is the proposed development of Jamaica's South Coast as another major tourist resort area. There is a plan to develop Port Royal, an area near Kingston, as a multi-media interactive, historical tourism destination. This will include entertainment venues, retail centers, modern accommodations and eco-



tourism opportunities. The development of Port Royal as a tourist destination and increased tourist arrivals to Jamaica will most likely offer opportunities for U.S. wood products exporters.

**GROWTH INCENTIVE**

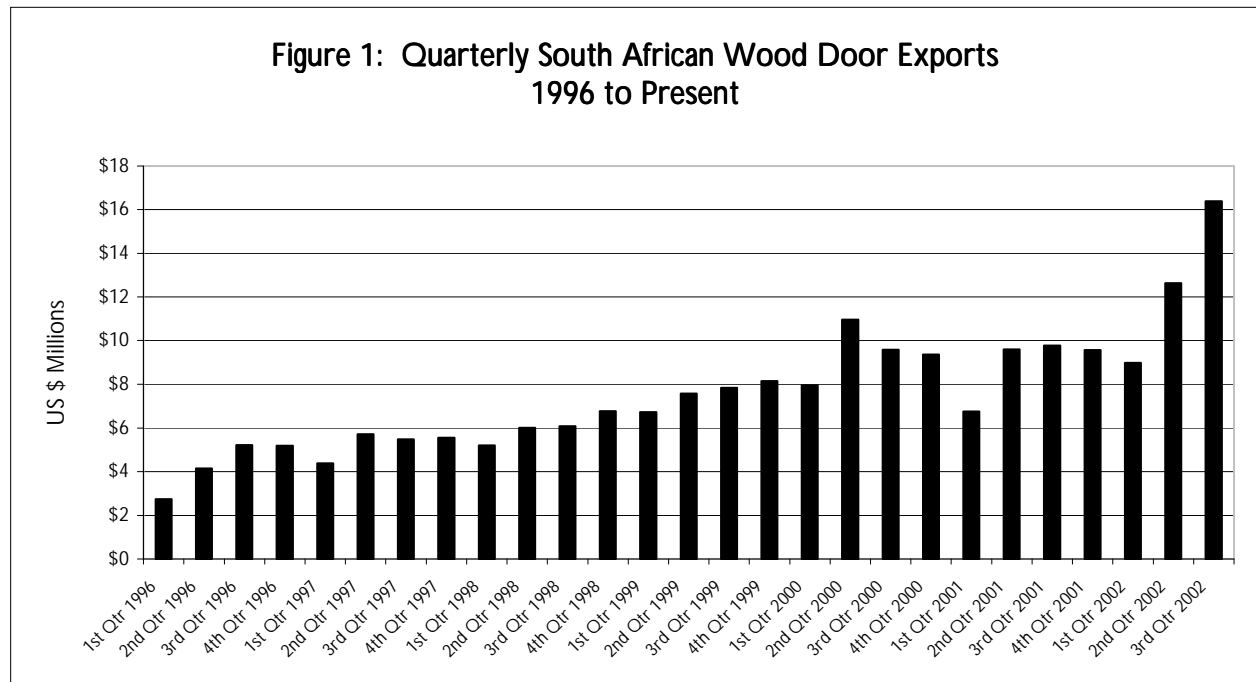
The Government of Jamaica offers many incentives to investors. The Resort Cottages Incentives Act allows for income and dividend tax relief and the duty-free importation of articles required to construct and equip resort cottages for a period of up to seven years. The Hotels Incentives Act entitles the owner or operator of an approved hotel enterprise to income and dividend tax relief for up to ten years. The owner may also receive an exemption from import duties for constructing or expanding hotels. The United States Overseas Private Investment Corporation (OPIC) offers a broad range of project financing, investment insurance, and other investor services to U.S. investors. OPIC was instrumental in bringing Ritz Carleton's New Rose Hall facility in to Fruition.

U.S. forest products exporters should focus on promoting U.S. hardwoods to the Caribbean. U.S. hardwood industry advantages are the superior quality and variety of U.S. hardwood products, the price-competitiveness of U.S. hardwood products versus mahogany, and the sustainability of the U.S. forest resource. U.S. exporters should consider the possibility of utilizing USDA's export credit programs. More information about these programs may be found at [www.usda.fas.gov/export.html](http://www.usda.fas.gov/export.html).

**SOUTH AFRICAN WOOD DOOR EXPORTS AND VENEER IMPORTS RISE IN 2<sup>ND</sup> AND 3<sup>RD</sup> QUARTERS OF 2002**

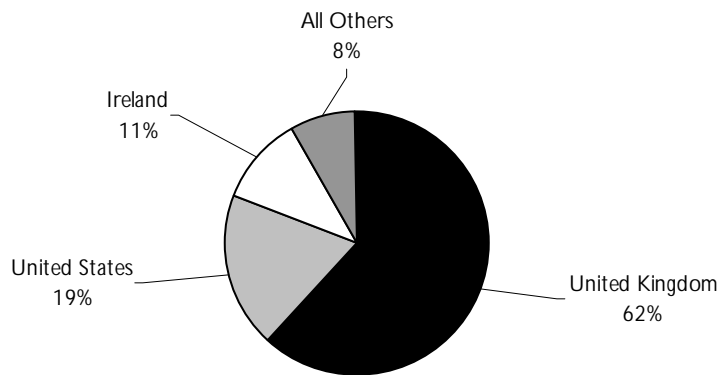
*By William Bomersheim, Agricultural Marketing Specialist*

South African exports of wood doors and door frames rose markedly in the second and third quarters of 2002, setting a new record. Quarterly shipments of wood doors and door frames reached \$16.4



Source: World Trade Atlas

**Figure 2: South African Wood Door Exports**



Source: World Trade Atlas

million in the third quarter of 2002 after climbing to \$12.6 million in the second quarter. Quarterly shipments had been relatively stable, between \$8 million and \$10 million since the end of 1999 (Figure 1).

At the current pace, South African door exports are poised to reach a record \$50 million in 2002, up 40 percent from 2001.

The rise in sales is reflected mainly by increased exports to the United Kingdom, South Africa's number one market. The United Kingdom receives almost two-thirds of South African wood door exports. Strong sales to the United States and Ireland have also helped to support South African export growth (Figure 2).

Other than hardwood chips, wood door and door frames are South Africa's most important solid wood product export. Wood doors and door frames account for roughly 40 percent of South African solid wood exports excluding logs, chips and wood charcoal.

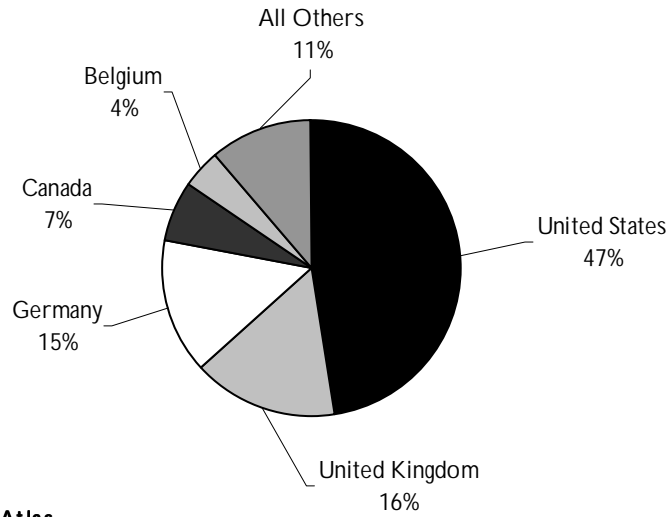
Traditionally, South African doors have been made of pine, meranti, and local species. However, recent increased

imports of South African temperate hardwood veneer indicate that veneer wrapped doors may be making inroads into the previously solid wood door sector. Imports of temperate hardwood veneers rose from less than \$3.5 million per quarter last year to more than \$5 million per quarter in both the second and third quarters of 2002 (Figure 3).

This increased demand has translated into increased U.S. exports. The United States is the number one supplier of temperate hardwood veneer to South Africa, especially white oak, cherry, and maple (Figure 4), shipping more than \$5 million in 2001 (Figure 5). However, record second- and third-quarter sales to South Africa have put U.S. exports on pace to reach \$8.8 million in 2002, up 70 percent from 2001.

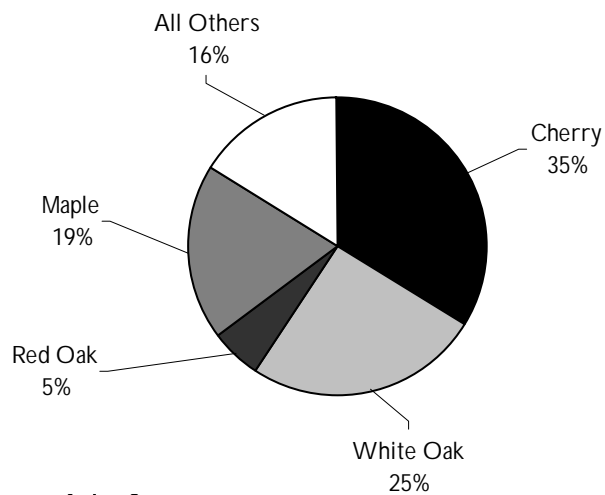
Although there are limits to the information that can be gleaned from trade data, the statistics reveal that a "door" of opportunity may be opening in South Africa.

**Figure 3: South African Temperate Hardwood Veneer Imports**



Source: World Trade Atlas

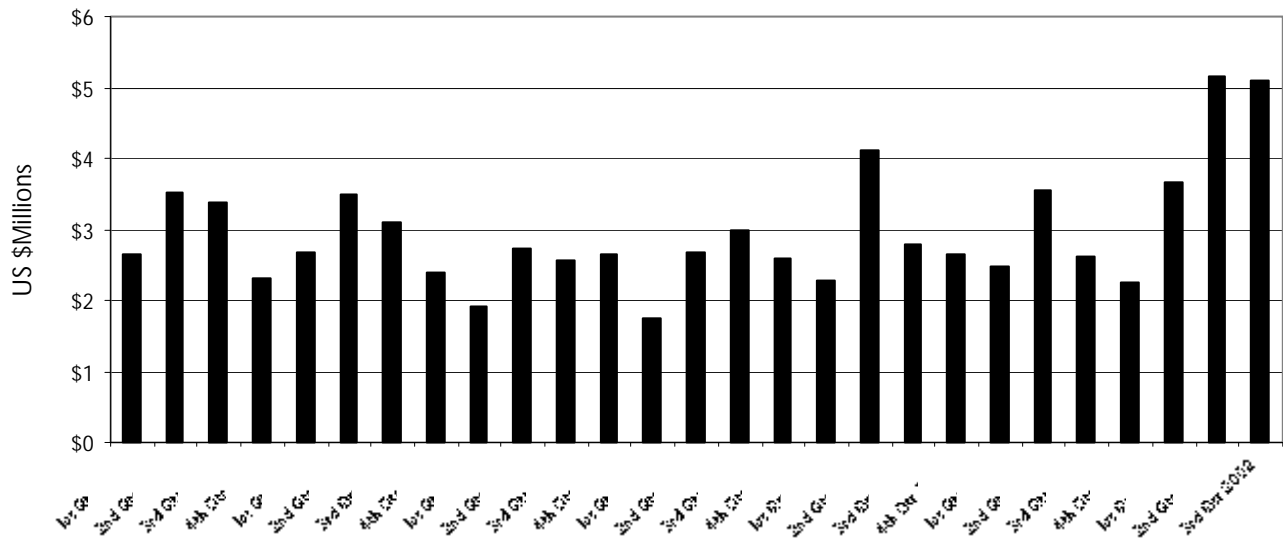
**Figure 4: U.S. Veneer Exports to South Africa**



Source: USDOC, Bureau of the Census



**Figure 5: Quarterly South African Temperate Hardwood Veneer Imports, 1996 to Present**



Source: World Trade Atlas

**UNITED STATES TO IMPLEMENT NEW ENTRY REQUIREMENTS FOR PALLETS AND CRATING**

*By Michael Hicks, Trade Policy Coordinator*

A period of unprecedented economic growth contributed to a doubling of U.S. imports over the past decade, increasing from \$487.2 billion in 1991 to \$1.1 trillion in 2001. There was also a corresponding increase in the volume of solid wood packing material (pallets, crating, etc.) entering the United States since approximately 52 percent of the maritime shipments and 9 percent of the air shipments that arrive in the United States are on, packed in, or contain solid wood packing material (SWPM). Some of this material carried more than its intended load, however, carrying “environmentally and economically devastating” species of forest pests. Outbreaks of the Asian longhorned beetle, the pine shoot beetle, and the emerald ash borer in recent years have all been all linked to the importation of

**SWPM.**

The United States currently relies on self-declaration by importers that the SWPM material is free of bark and apparently free of insects, with the exception of hardwood SWPM from China and Hong Kong, which is subject to more stringent requirements because of the Asian longhorned beetle. Only a small proportion (less than 1 percent) of the goods entering the United States, and even a smaller proportion of the SWPM, are inspected. Even at this level of inspection, USDA’s Animal and Plant Health Inspection Service (APHIS) has registered a significant increase not only in the number of pest interceptions, but also in the number of species of quarantine pests being intercepted. Over 700 species of quarantine pests were intercepted in 2000 and 2001.

In response to the increasing level of interceptions, USDA is adopting new entry requirements for SWPM arriving in the United States. APHIS intends to implement the “Guidelines for Regulating Wood

Packaging Material in International Trade” developed by the International Plant Protection Convention (IPPC) as an interim measure while it considers a “more long-term and permanent solution” to the problem. The Guidelines will be phased in beginning June 1, 2003.

The Guidelines were approved by the IPPC on March 15, 2002, and provide globally accepted measures that, when properly applied, will minimize the introduction and spread of invasive forest pests associated with SWPM. The IPPC is a multilateral treaty deposited with the Director-General of the Food and Agriculture Organization of the United Nations (FAO). The United States and 115 other countries are contracting parties to the IPPC.

The Guidelines recognize two treatment methods for the treatment of SWPM: heat treatment (heating to a core temperature of 56° C for a period of 30 minutes or more) or fumigation with methyl bromide, both of which must be done under official programs, i.e., programs under the supervision of National Plant Protection Organizations. Wood packing material made entirely of processed manufactured wood (plywood, particleboard, oriented strand board, veneer) will not require treatment. (For additional information on the Guidelines, visit <http://www.aphis.usda.gov/ppq/swp/> >.

SWPM that has been treated with one of the approved measures and marked accordingly will normally be allowed entry into the United States (and the other contracting parties) without further treatment. Implementation of the Guidelines by the United States and other contracting parties has been delayed because of legal issues surrounding the registration of the trademark used to certify treatment. A resolution of the issue is

pending.

Development of the Guidelines was prompted by a proliferation of national standards to address the risks associated with SWPM. Australia, Brazil, and China have all put in place measures in recent years to address the growing risks associated with SWPM. More recently, the European Union began requiring coniferous (e.g. pine) SWPM originating in the United States, Canada, China, or Japan be treated and marked.

Like the United States, many other countries are expected to move quickly to implement the Guidelines once the legal issues surrounding the trademark are resolved. Canada and Mexico have already indicated that they will implement the Guidelines by June 1, 2003. The EU is expected to implement the Guidelines before the end of 2003.