

SOLID WOOD PRODUCTS, BEFORE AND AFTER THE ASIAN FINANCIAL CRISIS
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In 2000, solid wood product imports for the major countries of the world totaled \$54.3 billion, surpassing the 1997 Pre-Asian Financial Crisis total of \$53.6 billion. In 1998, the crisis had an immediate impact on the wood sector, causing imports to decrease over \$7 billion and total \$46.4 billion.

Although total imports reached \$52.6 billion in 1999, it has not been business as usual. As import demand from such Asian countries as Japan, Korea, and Taiwan fell precipitously, import demand increased from the United States, China, the EU, and to a lesser extent, Canada and Mexico.

China

Despite the Asian Financial Crisis, China's wood imports increased from \$2.0 billion in 1997 to \$3.7 billion in 2000. Log imports accounted for a majority of this growth, surging from \$700 million in 1997 to \$1.7 billion in 2000. Increases were fairly even between softwood and tropical hardwood and temperate logs. Demand for imported hardwood lumber tripled to \$900 million, with supplies mainly coming from Indonesia, the EU, Malaysia, and Thailand.

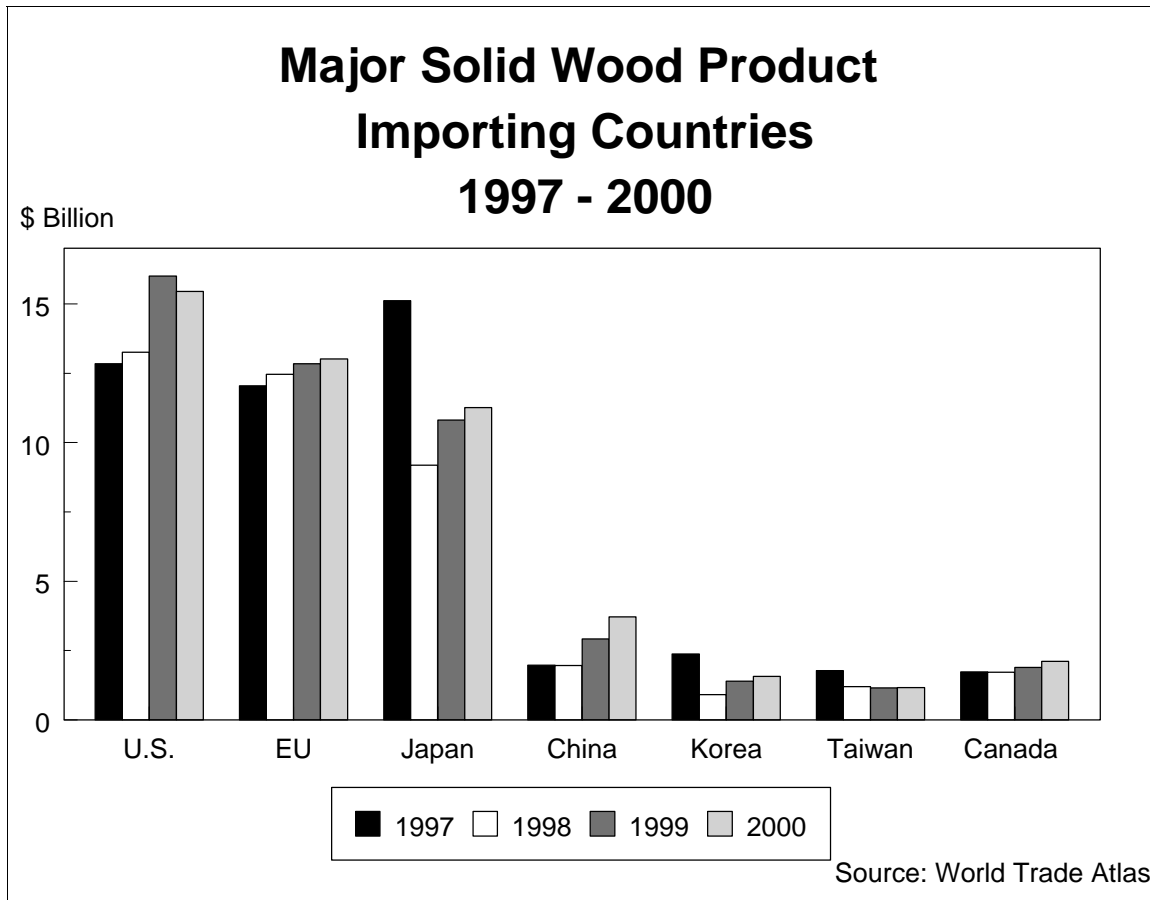
During this time of growth, China's imports of U.S. wood products remained flat at \$140 million, causing U.S. market share to decrease from 7 percent to just 4 percent. Although a majority of China's wood imports are sourced from Indonesia and Malaysia, these countries lost significant market share, due mainly to a surge of lumber products from the EU and logs from Russia. In 2000, China imported over \$660 million of wood products from the EU, up from just \$60 million in 1997. Strong wind storms in Europe made a large volume of beech wood available at low prices in 1999 and 2000, and Chinese importers stocked up.

European Union

Between 1997 and 2000, EU wood product imports increased \$1 billion to total \$13 billion. Increased imports from Russia, Latvia, China, and Romania accounted for a majority of the growth. Products that contributed to the increase included softwood logs, which increased over \$200 million, and softwood lumber, which increased \$250 million. Imports of hardwood molding grew \$70 million and imports of beams, arches, and trusses also increased by \$70 million.

Despite the EU's growing market, imports from the United States decreased \$300 million over the last three years to \$1.4 billion, and U.S. market share decreased from 14 percent to 11 percent. Over \$125 million of the U.S. decrease was directly attributed to competition from Brazilian softwood plywood and veneer panels, causing U.S. market share for these commodities to decrease from 41 percent to 7 percent.

The United States has also seen its market share for temperate hardwood lumber in the EU decrease from 39 percent in 1998 to 35 percent in 2000, while market share for softwood lumber decreased from 11 percent to 9 percent during the same period.



Japan

In 1998, Japan's wood product imports decreased \$6 billion to \$9.1 billion, causing Japan to slip from being the world's largest wood importer to the third-largest, behind the United States and the European Union. Far from recovering, imports totaled \$11.2 billion in 2000. Although Japan imported \$1.9 billion from the United States in 2000, Canada has nearly closed the \$1 billion gap that once existed and is striving to surpass the United States as the top supplier to the Japanese market.

Between 1997 and 2000, the U.S. market-share in Japan decreased from 22 percent to 17 percent, while Canada's market-share remained steady at 16 percent. Imports from Indonesia and Malaysia ranked third and fourth, respectively, and their market share remained relatively unchanged for the period. Despite Japan's decreased imports of wood products, imports from China increased \$100 million and those from the EU increased \$50 million.

Lumber, Japan's leading wood product import, decreased \$1.4 billion between 1997 and 2000 to \$3.2 billion. Softwood lumber alone decreased \$1 billion as imports from Canada and the United States decreased \$600 million and \$320 million, respectively. Softwood lumber from the EU decreased 50 percent in 1998 but has since returned to its previous level of \$540 million.

Imports of logs, the second leading wood product imported into Japan, also decreased \$1.4 billion over the same period and totaled \$2.3 billion in 2000. Log imports from the United States decreased \$580 million to \$890 million in 2000 while imports from Canada jumped from \$25 million to \$225 million. A majority of Canada's increase was attributed to Douglas-fir logs displacing those from the United States.

Korea and Taiwan

Korean and Taiwanese wood imports were severely impacted by the Asian Financial Crisis. Between 1997 and 1998, Korea's imports decreased from \$2.4 billion to \$910 million and Taiwan's imports decreased from \$1.8 billion to \$1.2 billion. In Korea, softwood log imports were hit hardest and decreased over \$240 million, while hardwood lumber imports decreased \$70 million. In Taiwan, temperate hardwood logs and lumber imports each decreased \$100 million.