



Softwood Export Council Newsletter

MARCH / APRIL 2002

Mexican safeguards

The Mexican government (GOM) is studying the negative impact of wood imports on the domestic forest industry in an effort to determine an appropriate response. Mexican forestry associations are responding by collecting evidence indicating that most US wood imports complement local production and that any type of protective measure could have a negative impact on the Mexican economy. The US industry will be meeting with Mexican government officials to determine the likelihood of Mexican action and consult with industry partners in Mexico. While no decision has been made, some sources report that the GOM is considering trade measures against non-Free Trade Agreement (FTA) countries thus possibly exempting the U. S. from any action. The GOM is being pressured to make a decision in the short-term, most likely in late March.

The Mexican Government (GOM) continues to consider some type of action against wood imports in response to the decline in domestic industry productivity and a surge in imports.

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China WTO impacts wood

By Director Paul Boardman
CiINTRAFOR

Well before China formally became a member of the World Trade Organization on December 11, 2001, there had been much talk about the impact on trade of its WTO accession. Very little discussion has focused on the impact of membership specifically related to forest products and building products aside from the generally favorable market access opportunities afforded by improved transparency, elimination of industrial and domestic subsidies, embrace of science rather than politics for its phytosanitary customs laws and the adoption of impartial dispute settlement of trade-related issues. In sum, China's WTO commitment is to tariff-only import control. In principle, all non-tariff barriers to wood products will be dropped. Below is a quick summary of forest product impacts:

Tariff Reduction. China will reduce its tariffs on wood and wood products from an average tariff of 10.6 percent to 3.8 percent. Reductions will be fully implemented by January 1, 2005.

Uniform Tariff Treatment. U.S. exports will receive uniform tariff treatment as all other countries. Any preferential tariff rates applied under a free-trade area must also be applied to the US.

Uniform Tax Treatment. Tax treatment of foreign invested firms will be the same as that of Chinese firms. National, provincial and local taxes will be levied uniformly.

Phase-out of Designated Trading Companies. To date, China has restricted the number of companies that could import and export goods as well as the types of goods that these companies had the right to import. Wood products were subject to further restrictions. After China's accession, the number of enterprises in China permitted to import and export wood products will be increased over a three-year transition period. At the end of this period, all companies in or outside of China will be able to import and export all wood products. (See Department of Commerce website for further description.)

Open Distribution. Prohibitions which restricted foreign companies from distributing products through wholesale and retail systems in China will be phased out over three years for wood and other products. (See FAS Beijing Timber Market Report dated December 2001)

Import procedures and inspections standardized. China will unify its certification systems so that domestic and foreign products will be inspected according to the same standard.

Custom procedures will be unified. To combat regional protectionism, China agrees to significantly reduce paperwork, and therefore costs, for exporters and importers by simplifying customs and licensing procedures and making them uniform throughout China.

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Markets

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NZ targets China

A delegation of 20 strong, representing 15 sawmill and wood processing companies, recently traveled to the eastern Chinese cities of Shanghai and Ningbo as part of a Trade New Zealand (NZ) program to open the Chinese domestic market to NZ pine. NZ timber has been used in southern China by local exporters to make furniture and kitchenware which was then exported to places such as the U.S., Japan, Europe, and the Pacific.

Trade NZ is now assisting NZ companies to sell into eastern China where the wood will be used by Chinese companies making products to sell in the local China market. The delegation addressed Chinese concerns over the quality of pine, with the goal of convincing top furniture and construction companies that NZ pine is versatile. Increased private house ownership, along with a ban on logging, has increased the demand for wood, including paneling and flooring, in China. Environmental certification of NZ sustainable forests is seen as an attraction for Chinese exporters of furniture and for domestic consumers.

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U.S. obtains equivalency in Japan

On March 6, 2002 the United States received country equivalency status with Japan allowing individual organizations to apply for Registered Foreign Certification Organization (RFCO) and/or Registered Foreign Grading Organization (RFGO) status. The agreement between governments was a prerequisite to any RFCO/RFGO application. US industry wood trade associations have been working with USDA in support of this application for over a year. The achievement of U.S. equivalency was critical to U.S. industry. Without the ability to trademark U.S. production to Japanese standards through an RFCO/RFGO process, U.S. exports of glulam and structural wood panel products to Japan could have been eliminated.

In July 1999, the Japanese Diet passed an amendment to the Japan Agricultural Standards (JAS) Law allowing overseas testing organizations to function as JAS-RFGOs and/or JAS-RFCOs. With the implementation of this legislation, all existing Japan-approved Foreign Testing Organizations (FTOs) were given notice of their dissolution no later than April 1, 2003. During that time frame, mills under the existing FTO programs were required to initiate a transition to an RFCO/RFGO contract. Currently, over 75% of the regulated glued laminated structural timber and structural wood panel products exported to Japan are controlled through the FTO process.

Yami suffers setback

American Softwoods Japan representative, Ikuo, "Yami" Yamaguchi suffered a second minor stroke in Tokyo in early February. This was almost exactly one year after his first attack in the USA. He spent two weeks in a Yokohama hospital and is now recovering at home, where he says he is "doing very well". Depending on his doctors instructions, he may return to the office for a few hours a week in the near future. Yami officially retires from his duties as the ASJO representative on April 1, 2002. Once he recovers, he would like to continue to support the American softwood industry as a part time industry consultant. To wish him a speedy recovery you can contact him at:

Ikuo Yamiguchi
8-26 Asahigaoka
Chigasaki-shi, Kanagawa
253-0026, Japan

Publications online

SEC publications have recently be reformatted to web friendly HTML standards and added to the SEC publications web page. *Douglas fir*, *Hem-Fir*, and the *Species and Grade Guide*, in 4 languages join the *Ponderosa pine guide* and are now available in a quick and easy web format. Each publication features hyperlinks to other SEC publications for more detailed information, as well as the SEC members websites. A special feature is the lumber grade and species pictures featured can be enlarged to better view the products and for detailed printing.

SEC will continue to upgrade with the development of web portal pages for specific countries such as Japan and China. Those specified language pages would direct viewers to publications, offices, sourcing pages and SEC member web pages in the native languages.

Programs

March / April 2002

Softwood market in France

SEC representative Eddie Pearce recently visited members of the French timber trade in the Paris region of France, the La Commerce Du Bois and the wood promotional organization CNDB (Comité National pour le Développement Du Bois).

Eric Boilley, director of La Commerce Du Bois confirmed that the imports of sawn lumber from the US over the past two years had been severely affected by, the high dollar exchange rate and the large quantities of storm damage timber that became available during 2000. The market for structural Douglas fir from the US has been lost to the French domestically produced Douglas fir. This product is used extensively in the construction of houses in the northeast of France and the southeast of Belgium. Higher grades of Douglas fir from the US still are of interest to the window industry in France but there is strong competition from African hardwoods

The Comité National Pour Le Développement Du Bois is the wood promotion organization in France with Mr. Joseph Behagel as its Director. Mr. Behagel noted that the use of wood and wood products for the construction of houses is still poor in comparison to that of other building materials with only of 2-5% of the houses built in France are of timber frame construction. This is despite promotional efforts by his organization and that of the Nordic Timber Council. He notes, however, where timber is extensively used is in the decoration of houses and by the refurbishment / renovation industries. The use of wood windows in housing has declined over the years to such an extent that it now only represents 18% of the total window production in France. One area of timber usage that continues to grow is the use of Western Red Cedar for exterior cladding. It is the favored timber specie for this application.

For the full report see the SEC website, market research section

China seminar

The Evergreen Building Products Association, through its China market Development Project, will sponsor a seminar on "Doing Business in China."

This seminar can be attended in person or through an Internet broadcast link. Experts will address:

- Legal aspects of doing business in China,
- Chinese wood frame construction market,
- Strategies for developing businesses and investing in China,
- How to select a joint venture partner, and
- Advice for managing construction projects in China.

The seminar will also feature an interactive question-and-answer period that viewers can participate in.

The seminar will utilize web conferencing technology to broadcast the program to companies throughout the US. Internet participants will see the speakers PowerPoint presentations, hear the speakers remarks via real time audio and can ask question using chat capabilities over the internet.

The seminar is scheduled for April 10, 2002, 1:00 pm - 5:00 pm PST. For more information contact Rose Braden, US-China Build Project Manager at 206-543-0700 or rbraden@u.washington.edu

For information about other upcoming US-China Build events see the event calendar at: www.uschinabuild.org/events.htm

China WTO

(Continued from page 1)

Other recent developments to watch:

Building materials retail or big box impact? A pre-WTO US/China agreement clarifies the requirement that foreign investors will only be allowed minority ownership of chain stores with more than 30 stores.

SEZ large influence on import/export trade may wane? Under the WTO Special Economic Zones such as Shenzhen will no longer be able to receive the same kind of special

regional specific considerations as they have in the past.

Increased social and labor mobility?

The Chinese government has announced that the Hukou private registration system will be changed to absorb the millions of increased unemployed due to WTO membership and increased agricultural imports. This will potentially cause a surge in the eastern urban population and spur an even larger demand for housing.

Events

March / April 2002

SEC MEMBER ORGANIZATIONS

Alaska Manufacturers Association

American Institute of Timber Construction

California Redwood Association

Center for International Trade in Forest Products

Evergreen Building Products Association

Northwest Wood Products Association

Oregon Economic and Community Development Department

OSU Forest Products Department

Pacific Lumber Exporters Association

Pacific Lumber Inspection Bureau

Washington State Office of Trade and Economic Development

West Coast Lumber Inspection Bureau

Western Wood Preservers Institute

Western Wood Products Association

Wood Moulding and Millwork Producers Association

Future Asian conferences

U.S.-Japan Housing Conference

The 6th U.S.-Japan Wood Design Conference schedule has been set for June 5, 2002 at the Hotel Okura in Tokyo. The program, while still tentative, will feature presentations by both Japanese and U.S. award winning architects and include a panel discussion of "hybrid construction". The conference will conclude with an award ceremony officiated by the Honorable Ambassador Howard Baker. For more information contact the SEC office or connect through the link on the SEC homepage

AHEC China Convention

The 7th annual Southeast Asia & Greater China Convention for the American Hardwood Export Council will be held in Shanghai, PRC on June 13th and 14th, 2002. The convention will host more than 500 Chinese furniture and interior fittings manufacturers with events that promote the use American forest products. SEC members are invited to join AHEC to make direct contacts in the Chinese interiors marketplace. For more information contact Allan Czinger at the SEC or connect through the SEC website calendar page

Upcoming Events

HOMDEX, Trade show, single family homes, Seoul, Korea; March, 2002
Fensterbau, Trade show, windows, Nuremberg, Germany; March 2002
SAIE Due, Trade show, housing interiors, Bologna, Italy; March, 2002
China Wood, Trade show, general wood, Beijing, China; April, 2002
Japan Softwood Mission, Tokyo, Osaka; April 2002
European Softwood Mission, Germany, Benelux, England; May 2002
Carrefour Du Bois, Trade show, wood import, Nantes, France; May 2002
Total Construction and Materials Fair, Osaka, Japan; May 2002
Provimueble, Trade show, furniture, Monterrey, Mexico; May 2002
Wood Design Conference, Tokyo, June 5, 2002
AHEC China Convention, Shanghai June 13, 14 2002
Gardeners World Live, Trade show, Birmingham; U.K. June 2002
Tecnomueble, Trade show, Guadalajara, Mexico, July 2002
 or links to information on these events go to www.softwood.org/calendar

Website update

The SEC Douglas fir and Hemlock brochures are now available for direct download on the web in 5 languages. The brochures are very user friendly with quick downloading text and photos.

[www.softwood.org/
publications](http://www.softwood.org/publications)



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