



Softwood Export Council Newsletter

January 2009

In This Issue

Japan Trade Mission
China Market Updates
EBPA Sales Mission
Upcoming Trade Shows

Quick Links

About SEC
SEC Members
Membership Benefits
Trade Show Calendar
Travel Requirements
Market Reports

Japan Trade Mission



By Craig Larsen

SEC member associations and their interested member companies recently completed the 20th Annual Japan Lumber Importers Association trade mission in Tokyo, in December. SEC member organizations included, CINTRAFOR, NAWLA, PLEA, PLIB, and WWPA. APA-TEWA, SPC, and AFPA were also represented.

The annual mission, coordinated by the American Forest and Paper Association Japan staff provides industry meetings with Japan lumber importers, major Japan home builders, key Japanese government ministries, and wood products organizations. As a prelude to the Japan government meetings, the US Embassy staff provided a briefing covering the current political, economic and social situation in Japan from the American perspective. A highlight of the mission is the US sponsored reception at which more than 200 persons attended this year. This is a chance for US producers and wholesalers to meet directly with the individual Japanese companies dealing, or wishing to deal, with US forest products.

This year the 4 day mission included sight visits to major home building factories, post and beam fabricators, panelizing plants, and a glu-lamina post production facility. US wholesalers and mill personnel also spent a day visiting current and possible customers in Nagoya.

With the relatively stable housing market and demand in Japan, and the continued strength of the Japanese yen, US softwood lumber products continue to be competitive in this traditional marketplace.

China Market Updates

By Xu Fang

Source: Global Insight

New Round of Export tax Rebate Increase

China's taxation administration announced on 29 Dec yet another round of tax rebate increases, in the latest efforts to bolster the country's troubled export sector. From 1 January 2009, the

government will increase export tax rebates for certain electrical and machinery products, on a total of 553 exporting items, according to a statement jointly released by the Ministry of Finance (MOF) and the State Administration of Taxation. The export tax rebate rate for industrial robots and inertial navigation systems for aviation use will be raised to 17%-a full rebate, from the current 13% and 14% respectively. In addition, the rebate rate for motorcycles and sewing machines will be lifted to 14%, from the current 11% and 13% respectively. The Chinese government had already raised the tax rebate for selected exporting goods three times since August, with the previous round in November covering 3,770 items of labour-intensive products as well as certain electrical and mechanical goods.

Significance: The latest rebate increase comes as official data shows that the situation in China's export sector is taking a turn for the worse, as November exports declined by 2.2% on the year, the first monthly decline since June 2001. Furthermore, the export downturn seems to have been spreading, affecting not only such traditional manufacturing industries as textiles and garments but also electrical and machinery goods, the biggest category of Chinese exports. With external demand collapsing, the tax incentive will have a very limited role in increasing exports, although it can help improve the margins of exporting firms and their competitiveness.

Beijing and Shanghai Step Up Local Infrastructure Investment

China's two major cities Beijing and Shanghai have both unveiled ambitious plans recently for local infrastructure upgrades, as part of the local governments' efforts to bolster investment growth. In Beijing, the municipal government has just approved a 33 billion yuan investment plan for the construction of two new subway lines, which will help to bring the city's total investment in subways to 200 billion yuan by 2015. In Shanghai, local infrastructure investment growth picked up in the second quarter following policy adjustment, soaring 70.6% year-on-year (y/y) and hitting 35.6 billion yuan in the second and third quarters. This amount of investment has far exceeded the 18 billion yuan budget for the infrastructure upgrade in preparation for Shanghai World Expo 2010.

Significance: Growth in Beijing and Shanghai has been losing momentum this year, with Beijing's GDP growth coming in at only 9.1% y/y and Shanghai's growth slipping below the national average in the first half for the first time in 16 years. For Beijing, the current priority is to keep up investment growth to prevent a post-Olympic slump, while in Shanghai the government is also looking at infrastructure investment to pick up the slack in exports and real estate investment. Investment in affordable housing, environmental projects and other programmes conducive to long-term sustainable growth and social stability should also be a focus of investment in both cities.

Shanghai Unveils New Policy to Stimulate Home Buying

Shanghai municipal government unveiled a batch of new measures recently to lift previous restrictions over second-home purchases, as part of its efforts to bolster the local property market. According to the new policy, second-home buyers will be eligible for the same tax, interest rate and lending policies accorded to first-time home buyers. The lending cap from the housing provident fund, which offers cheaper mortgage loans, for second home buyers will also be lifted from the previous 200,000 yuan to 400,000 yuan. Business tax will be waived for the sale of "ordinary" housing units owned for more than two years, and will be collected based on capital gains-rather than the total value for "ordinary" homes owned for less than two years. The sale of second-hand "non-ordinary" homes-luxury apartments or villas-owned for less than two years will still trigger the payment of business tax based on the full sales price.

Significance: This latest measure of the Shanghai government is a follow-up of a recent central-government policy to lower the transaction tax burden for second-home purchasers, with both local and central governments having already unveiled tax relief for first-time home buyers several weeks ago. With the latest tax relief, the government has almost run out of ammunition in terms of tax stimuli and it remains to be seen whether such tax cuts can revive housing sales-which has plunged by more than 20% on the year in major Chinese cities this year.

MofCOM Pledges All-Out Effort to Stabilize Export Growth

China will try to stabilize exports as much as it can next year, utilizing a whole range of policies from export tax rebate to credit guarantees for exporting firms, said China's minister of commerce Chen Deming at the annual foreign trade conference of the Ministry of Commerce (MofCOM). The meeting of MofCOM normally sets the tone for China's foreign trade policy for the next year. China's exports declined 2.2% in November, the first monthly decline since 2001. China's total foreign trade is expected to exceed US\$2.5 trillion, a rise of 18% from the previous

year, said the minister. To support export growth next year, China will continue to extend fiscal and financial support for exporters and will encourage processing trade operations to move to inland China. As demand from advanced economies slackens, the government will also encourage firms to explore new markets in South Asia, the Middle East, Central Asia, and South America, said the minister.

Significance: The commerce minister's remarks has marked a strong reaffirmation of the Chinese government's pro-export policy stance, which signals the introduction of more export stimulus measures next year to counter a possible outright export recession in China. Since August this year, the Chinese government has already hiked the export tax rebate rate three times, virtually reversing the rebate cuts introduced in 2007 and 2006. Additionally, it is also widely expected that China will halt the appreciation of the Chinese currency, as export outlook deteriorates and the domestic employment challenge heightens.

China Overhauls Import and Export Tax Regime to Aid Economic Recovery

China's tax authority announced on Dec. 17th tax adjustments for a wide spectrum of import and export goods, as part of the government's ongoing efforts to support exports and boost domestic demand for home-made goods. To support the distressed textiles, steel, and fertiliser industries, the government will lower import tariffs on "raw materials that have huge demand in domestic production", and will continue to implement the export tax cut introduced last month for certain steel and fertiliser products. In addition to that, the Chinese government will also add another 36 products to the category of "imported investment goods ineligible for import tax exemption", which mostly include machinery equipment used in agricultural, petrochemical, mining, power generation, ports and other industries that domestic manufacturers are capable of producing. Nevertheless, import duties for certain key components badly needed in China, such as auto manufacturing equipment, plastic processing equipment and dairy production facilities, will be reduced.

Significance: This latest adjustment to China's import and export tax regime has followed three consecutive hikes of export tax rebate rates for selected exporting goods since the middle of this year, as well as an export tax rate cut for steel and fertilisers that took effect at the start of this month. Nevertheless, with external demand collapsing, such tax incentives may have very limited role in reviving exports. China's exports plunged into negative territory in November, the first time in seven years, and there is growing likelihood of an even deeper export slump next year as external demand tanks.

EBPA Organizes 10th China Sales Mission for US Exporters

By Rose Braden

The Evergreen Building Products Association US-China Build Program, with support from the Department of Commerce, Foreign Agricultural Service, and the American Forest & Paper Association is organizing its tenthsales mission and seminar series for US building materials manufacturers and suppliers to three of China's growing markets: Fuzhou, Kunming, and Chengdu on May 11-15, 2009.

The theme of the half-day seminars is Energy Efficiency, Green Building Materials, and Earthquake Resistant Construction in Commercial and Residential Construction.

The seminars will include information to familiarize Chinese developers, architects, and importers about the benefits of using US building materials such as consistent quality, energy efficiency, testing standards, and sustainable production. Ample time is included during two table top mini-trade shows for seminar attendees to display product samples and literature and meet with Chinese attendees.

The sales mission follows a long line of well attended and successful seminars organized by EBPA. In 2008, 750 Chinese developers, traders, and construction professionals attended EBPA's spring and fall seminar series, which were held in six cities. Expected sales by US companies exceeded \$3 million.

DEADLINE: Seminar presentation slots are limited to the first ten companies who register, although additional companies are welcome to participate in the mini-trade shows and one-on-one meetings with Chinese attendees. Companies must register before March 1 to have their company information included in the direct mailer promoting the event. Speaking slots fill quickly, so please register early.

The registration fee covers the costs of seminars, mini-trade shows, and professional translation for company presentations. Hotel and in-country travel reservations will be made for the mission members, but airfare, hotels and meals are not included in the participation fee. Mission members who require Chinese language interpreters at their displays should expect to pay an additional \$75/day. Once registrations are received, refunds cannot be made.

About the Spring China Mission Cities

Fuzhou

Population: 6.6 million

- Fuzhou is the capital and the largest prefecture-level city of Fujian province.
- The city is a center for industrial chemicals and has food-processing, timber-working, engineering, papermaking, printing, and textile industries.
- In 1999, Fuzhou began to develop creative industries and built the "Fuzhou Software Park," and the government supports the industries via finance, tax and talents. Fuzhou has attracted big companies such as Oracle and CISCO.

Kunming

Population: 6 million

- Capital of Yunnan province, in southwestern China
- Kunming is the political, economic, communications and cultural center of Yunnan. It is also an important trading center between the far west and central and south China.
- From 2005 to 2010, the city of Kunming plans to nearly double in size, in terms of both population and area, and it hopes to be one of the trade, transport, financial and cultural centers of Southeast Asia.

Chengdu

Population: 11 million

- Chengdu is the capital of Sichuan province and one of the most important economic centers and transportation and communication hubs in Southwestern China. According to the 2007 Public Appraisal for Best Chinese Cities for Investment, Chengdu was chosen as one of the top ten cities to invest in, out of a total of 280 urban centers.
- Chengdu was very close to the epicenter of the May 2008, 7.9 magnitude Wenchuan earthquake. Interest in earthquake resistant building materials is very strong.
- Chengdu has long been established as a national base for electronic and IT industry. Several key national electronic R&D institutes are located in Chengdu. Chengdu Hi-tech Industrial Development Zone has attracted a variety of multinationals, at least 30 Fortune 500 companies and 12,000 domestic companies.
- Chengdu is now building itself to be the financial hub for Western People's Republic of China and has successfully attracted major international financial institutions, including Citigroup, HSBC, Standard Chartered Bank, ABN AMRO, and BNP Paribas.

For more information about participating, contact Rose Braden at 503-248-0407 or rbraden@ep.org or see the mission flyer at www.ep.org on the Programs page.

Upcoming Trade Shows and Seminars

January

- Expo Mobiliaro, Jan 21-24 Mexico City

February

- Delhi Wood Show, Feb 12-15, New Delhi
- KH Housing Fair, Feb 18-23 Seoul
- WoodMac China, Feb 17-20 Shanghai

March

- Interzum Guangzhou, March 27-30 Guangzhou
- A+C Show, March 3-6 Tokyo

April

- Dubai Wood, April 21-23 Dubai

May

- Interzum, May 13-16 Koln
- Design Build Australia May 21-23 Sydney
- USCB Sales Mission May 11-15 Fuzhou, Kunming and Chengdu

June

- Tecno Mueble June 4-6


September

- FMC China September 9-12 Shanghai

www.softwood.org/calender

Softwood Export Council- Promoting the expansion of export markets for primary and secondary softwood products manufactured in the United States.

[Join Our Mailing List!](#)

 [Forward to a Friend](#)

Softwood Export Council
520 SW 6th Ave, Suite 810
Portland OR 97204

Phone: 503-248-0406
Fax: 503-248-0399
www.softwood.org