

14.2 Million Housing Starts and Who Will Supply China?
Trip Report: Beijing and Tianjin, China, June 7-11, 1999
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Executive Summary: According to Chinese Forestry Agency internal estimates, China could be consuming five times the official annual estimate of 60 million cubic meters. The GOC earlier this year set import tariffs on logs and lumber to zero to reduce the strain on domestic timber following the expansion to 18 the number of provinces under a national forest logging ban. China's 60,000 furniture, flooring and panel manufacturers, benefitting from earlier market reforms, are now looking to provincial timber lands to obtain new supplies. Chinese mills are also importing in record volumes. Chinese total wood imports for January-May 1999 rose by 35 percent over those of 1998, with total imports forecast to reach a record \$2.5 billion. With housing market reforms just beginning, China is already the world's third largest wood importer after the United States and Japan.

Despite concerns about the climate for a market development event in the aftermath of the accidental bombing of China's embassy in Belgrade, a record 508 delegates attended the American Hardwood Export Council's Asia Convention in Beijing. Representing 13 countries, 130 of these delegates came from outside of China, signifying economic recovery throughout the Asian region and a renewed interest in U.S. value-added hardwood products. With gradually improving market access and rapidly improving market exposure, American furniture and panel product manufacturers are well positioned to enjoy record sales to China's 1.3 billion consumers. U.S. exports to China are on track to reach \$140 million in 1999, slightly higher than those of 1998. Given China's rapidly expanding human, financial and technical infrastructure in all segments of the wood industry appear feasible in the next five years.

Overall Impressions: Unlike current press reporting and previous visits to China in 1986, 1988, 1993 and most recently as an agricultural attache in 1995, I found the people confident and energetic. Public and private sector officials both were satisfied with the direction and flow of the economy. Indeed, the mood of Beijing reminded me more of Chicago – the City of Big Shoulders -- than of the ambling, reserved, if not anxious, crowds of the past.

Along the 100 miles of highway to Tianjin in the southeast as well as along Beijing city streets, commerce thrived. Thirteen years ago, private retailing outside of fruit and vegetable markets was all but absent. Five years ago saw the emergence of backyard furniture stores, many no larger than a two-car garage. Nowadays, the zoning is vertical, the first floor is for retail operations, the second floor for services, and the third floor and up is for residential living. While the number of independent furniture retailers has grown, wholesalers and large-scale furniture warehouses may now be found at the major commercial intersections. There were not only Chinese large-scale equivalents to the U.S. Home Depot, but also foreign over-the-shoulder home improvement and furniture outlets, including IKEA.

Cranes were in operation everywhere. The unit of account for new construction was how many tiers of ten-story levels would the building include. While glass-and-steel structures were rising in profusion in Beijing (apparently without the low occupancy problems of Shanghai), five-to-

seven story western-style row houses with A-frame trim were springing up in the suburbs. Builders were striving for quality in both the external experience and interior trim. Lighter colored wood flooring, paneling and molding are now commonplace architectural features. It is now only a matter of time before wood for exterior trim applications is adapted as well.

The grip of the Chinese Government on the domestic wood economy has significantly weakened, especially in product marketing. Beginning in the mid 1990's, the private sector received greater and greater access to domestic timber stands and imports. More recently, the private sector has flexed its economic and political muscle to push the central government to adopt reforms beneficial to furniture and panel product sales, income and jobs, including lower tariffs for logs and lumber. In short, with a coming together of product exposure, market deregulation, and technical know-how, the Chinese hardwood industry has attained critical mass and is poised to become the world's largest furniture exporter within the next few years.

At the same time, China's housing sector is just beginning to undergo deregulation. While not at the same level of economic independence, China's housing sector received a significant boost when the Government permitted the creation of private mortgages and private developers for the first time in 1998. As banking and construction expertise expands and the popularity of western-style housing with a greater focus on external architectural details increases, Chinese wood manufacturers will discover yet a whole new array of products for retail and wholesale development.

Chinese national wood production and trade policy, however, is far from consistent. Many Chinese agencies and trade associations are highly averse to supporting import-reliant policies, while other openly advocate trade liberalization to make China more competitive and to reduce the strain on the domestic environment. The use of import quotas, subsidies, foreign exchange requirements and subsidies continues. Yet improvements in access have improved. Tariffs have come down significantly, while Chinese firms are free to approach any trading company to contract brokering services.

Whatever the political perception, the economic reality is rapidly changing. Despite a logging ban in national forests in 18 provinces, imports will not rise due to decreased supplies but to increased consumption. With demand for domestic and imported wood reaching unprecedented levels, China's capacity to impact the world wood products market is growing at a pace far beyond all expectations.

PRODUCTION, CONSUMPTION AND TRADE DEVELOPMENTS

Chinese Academy of Forestry

Dr. SHI Kunshan, Director, Institute of Science and Technology Information

Dr. LIN Fengming, Deputy Director, Institute of Science and Technology Information

Mr. Lin and Mr. Shi provided a warm reception and went into great detail concerning the direction of Chinese forestry policy and its impact on wood utilization supply and demand.

Effect of the Logging Ban: The ban is in effect in State held (national) forests in 18 provinces. However, as the ban impacts mainly forestlands along river estuaries deeply located in China's interior, the impact of the ban will be mainly to shift logging from State-held forests in the

northeast and southwest to collectively held and industrial plantation forests in the southern and eastern, especially coastal, areas, which are outside of the ban's jurisdiction. Illegal cutting is also an issue as product sourcing is difficult at best to verify and county Forestry Offices are tempted to under-report harvests or exaggerate stand densities and output capacities.

Trends in Chinese Wood Harvesting, Processing and Demand Capacity: The Government of China publicly reports that China will log roughly 60 million cubic meters and import roughly 10 million cubic meters per year to service its paper and wood industries. According to internal consumption analysis research, however, the size of China's timber industry may actually be five times as large. In other words, government assumptions about timber industries needs, policy priorities and enforcement capacity may be completely out of sync with actual conditions. For example, in just one county in Hubei province there were no less than 1,200 plywood mills, but the vast majority of them had no kiln-drying capacity and are unfamiliar with wood processing concepts as basis as moisture content.

According to Academy of Forestry analysis, China consumes 2.4 billion square meters of panel products a year. On a household basis, assuming 60-80 square meters the average size of a home (one living room, bedroom, pantry-sized kitchen, and bathroom, Chinese consumers will spend 40,000 RMB (\$4,800) to repanel their home and 20,000 RMB (\$2,400) to acquire new furniture.

China's Wood Needs -- More Than Statistics Would Show: China, like many countries around the world, lacks reliable historic and current data on resource capacity, yield, utilization and consumption. While the country is able to identify the location of rare or endangered species, it does not have the technology and infrastructure for assessing economic impacts, be they from the newly privatized furniture and interior panel industries or from other pressures on forest resources, such as the growth of farming or urbanization. Although China is home to one of the world's largest wood stands, in terms of per capita capacity China is not in the top 100. Indeed, the GOC in its next release of data will redefine "commercial stand" from a crown density rate of 30 percent to 20 percent and this will mask the absence of net gain in capacity despite 20 years of replanting efforts.

While the GOC has adopted the enlightened policy of tariff reductions on wood products imports to reduce the strain on domestic resources, the problem of processing capacity growing more rapidly than stand replacement capacity still remains. Furthermore, the GOC policies compound this issue as demand estimates (be they met domestically or through imports) underestimate actual needs by 400 percent. As a consequence of these significant anomalies, the Forestry Agency would like to solicit the U.S. assistance in preparing a research study on "China Solid Wood Products Demand and Its Likely Impact on World (or U.S.) Wood Markets".

China National Timber Trade Market

Mr. ZHANG Shiwei, Deputy Manager in Chief

Mr. Dong Xinmin, Deputy Manager in Chief

The goals of CNTTM is to set up regional and local timber markets and exchanges throughout the country, improve commercial standards and communications networks, and to facilitate the reliable marketing structures. This was my second visit to CNTTM whom I had first visited in

1995. Although Beijing and its environs have significantly developed since that time, the firm's facilities remain unchanged. CNTTM is also a firm wearing two hats. Despite calls by the Chinese Government for bureaus to divest themselves of private enterprises, CNTTM is in actuality a division of the Forestry Agency and this, and the presence of truly private-sector timber brokerage firms, may explain why this firm has failed to expand its operations.

CNTTM, however, is planning to relocate and would like to transform itself into a world leader in wood products marketing and trade. They would like to upgrade its facilities and services and would especially like to work with FAS and Cooperators to set up a display room and provide brokerage services to American wood companies. Among other goals, they would also like to set up offices hosting dealers from around the country and around the world.

They affirmed China's need for more effective environmental controls and China is already home to over 5,000 natural preserves. One environmentally -- and commercially -- significant measure is China's decision to reduce Annual Allowable Cut from 58 million cubic meters (cum) to 54 million cum in 1999. China's wood demand, however, is estimated to reach 60 million cum. Imports are expected to make up 4 million cum with the remaining 2 million shortfall to be made up through substitution to other products, such as plastic and steel. Mr. Zhang even feels the 4 million cum import figure to be too high.

Mr. Dong confirmed that the Chinese Government does provide an export subsidy, thought not exclusively, to the Chinese wood industry. These include a rebate of the Value-Added Tax on exported products and duty-free entry of products for further processing for export. In addition to nationwide foreign exchange controls and foreign exchange quota restrictions, Other trade controls include:

1. Approval from the Ministry of Foreign Economic Relations and Trade to conduct wood trade. While all domestic trade in wood products was freed in 1998, Chinese trading firms must still undergo foreign exchange and approval controls. Currently, 70-80 percent of Chinese domestic trade is now in the private sector and 80 percent of softwood production goes to construction.
2. Various species, all of them hardwoods, are exported under quota, these include Chinese oak, walnut and birch. Each province has a quota, although this will be reduced over the years.
3. Other agencies involved in export control include Chinese Customs and the Forestry Agency, although the latter's controls are intended to prevent the export of rare or threatened species or exports from environmentally controlled areas, such as national parks, preserves and areas affected by the logging ban.
4. The Forestry Agency controls the logging harvest through its county-level offices. Each county, or group of counties, has a designated forest for wood production. Permits are granted on the basis of that forest's production capacity.
5. The State Council, in the intent to reduce trafficking in rare species, controls the logging trade through transport permits. The State Council, in the intent to reduce waste, also grants the Ministry of Agriculture authority to check production units regarding consumption.

HOUSING INDUSTRY DEVELOPMENTS

Ministry of Construction

Ms. QIN Hong, Director, Institute of Real Estate and Housing

Mr. YUAN Xu, Chief, Division of Information Exchange & International Cooperation, Housing

Industrialization Office

The meeting opened with a clarification of recent changes in Chinese commercial law. China's decision to open import and export trade in January of this year did not grant every single company the right to trade on the world market. Instead, companies, which already had the right to trade specific products, such as TUSHU for wood products or CEROILS for grain and oilseeds products, could now trade any product that they wished. While this still leaves the vast majority of Chinese firms without direct access to the world market, domestic Chinese firms can now employ any of these trading companies to be their brokers for any product. This may appear to be an overwhelming burden on the marketplace as well as an unfair barrier to trade, but the policy was defended on the basis that many Chinese companies still lack the experience to competently take on foreign exchange and market risk and make their tax commitments.

The discussion then shifted into an overview of the latest macro- and micro-economic housing developments. China in 1998 completed one billion square meters of residential development. 350 million square meters were private or mixed private and public sector developments and the remaining 650 million square meters were public sector construction. Assuming the average dwelling measures 60 square meters for a one-bedroom flat or 80 square meters for a two-bedroom flat, the number of new (primarily apartment style) flats started in 1988 was 14.2 million.

China is now home to roughly 20,000 developers. Approximately 14,000 are nationally held companies (or their provincial and municipal branches); 4,000 are stock companies; and the remaining 2,000 are private-sector developers. Construction permits, however, are granted on a quota system that varies nationally and locally and sets conditions for labor and accounting requirements. Construction reforms, which date as far back as 1984 originally allowed owners for the first time to pick up some of their own housing costs and choices. In 1998, the GOC wanted to repeal the housing allotment system entirely, but discovered that dissolving one institution before another is ready to take its place may not be sound policy, especially with the abolition of laws restricting change of residence and employment in 1991. The GOC, however, is firmly committed to the full privatization of its housing allotment system and construction quotas are expected to be relaxed over time as well.

At the individual level, consumers can take out mortgages of ten to 20 years' duration. The shorter the term and the larger the down payment, the better the credit conditions. Credit conditions, however, vary by loan guarantor. If it is to be a public sector loan (such as from one's sponsoring work unit), which has only a 20 percent down payment requirement, the individual must deliver proof of residency. However, if the individual is not a resident (Beijing, for example, is home to 13 million people, but 5 million of them are workers from other cities and towns), he or she can get a private-sector loan that requires a 30 percent minimum down payment. Loan guarantors may be any one of the following: the buyer's employer, the seller – who must be bank approved, or municipal guarantee companies.

At the banking level, only one percent of loan portfolios are for housing. This is because the system is still experimental, consumers are risk averse, the domestic savings rate is high. The banks are also risk averse. Interest on housing is not as high as for other commercial activities,

and China still lacks an adequate system of property and tax assessment controls. Also, most consumers – and even firms – do not have a credit history, so credit checks cannot be run.

American Forest and Paper Association, Beijing Office

Grace Zheng, China Director

Jenni Guo, Assistant

We discussed the upcoming AHEC Southeast Asia Convention and the upcoming Ministry of Construction sponsored exhibition to take place in late June.

Ms. Zheng does not expect much change in the China market this year as discussions on China's bid to enter the World Trade Organization has been postponed and this has postponed implementation of the tariff liberalization package for wood products which China had offered. Chinese plywood and veneer firms, however, want to compete more effectively in world markets against Indonesian and Malaysian firms. Thus, Chinese manufacturers are interested liberalizing tariffs beyond the earlier cuts for logs and lumber.

Grace has also acquired some excellent contacts on the Construction Committee (Jian Wei) and Planning Committee of the Ministry of Construction. They are looking for contacts for choosing a city for modeling the best in wood frame construction. Zheng in this regard is preparing to hold seminars in four cities on wood frame construction and is currently pursuing various options for strengthening outreach.

I shared with Grace my observations concerning recent market changes in China's, especially with respect to consumer targeting. According to public and private sector officials in the Chinese housing and standards and codes trade, consumers do not see safety or reliability advantages to building with wood. The significant barriers to the widespread adoption of wood-frame construction among the Chinese public are concerns about price, fire susceptibility, seismic tolerance, energy efficiency and longevity. There is a widespread belief that living in a concrete or brick home is superior to living in a wood frame home in terms of safety, durability and cost. Promotional material written for the consumer is very scarce and knowledge of consumer preferences beyond the anecdotal level is absent. As a consequence, industry may wish to develop literature that addresses consumer preferences and misconceptions.

In this regard, Grace responded that one project under consideration is the design of a fold-out brochure that identifies in Chinese the structure of a wood frame (preferably multi-unit) house with quotable summaries of why wood frame construction is more energy-efficient, durable, and fire-safe. Another promising approach, she offered, is to develop slides showing different types of structures, for presentation or brochure development, especially as consumers and architects are so unfamiliar with American wood-based construction design.

Beijing Yanxiong Company

Mr. ZHANG Zhiqing, General Manager

Mr. LIU Hongzhang, Senior Consultant

This developer was founded in Shuiyun municipal region in 1975 and employs 600. A

regionally well-known, collectively-owned construction company, the firm has received many awards and citations, and was ranked by the Ministry of Agriculture as the 68th nationally largest agricultural company in China in 1998. The firm was primarily interested in securing a joint-venture demonstration project for a single-family wood frame house. I directed them to work with the AF&PA China Director, Grace Zheng, to consider strategies, contacts and feasibility. I also stressed that multi-level housing developments may prove economically more viable to all concerned parties, given China's high land costs, population density and the rapid proliferation of western-style concrete and steel garden apartments throughout the Beijing vicinity.

HARDWOOD MARKETING DEVELOPMENTS

American Hardwood Export Council Fourth Southeast Asia Convention

U.S. Hardwoods: Quality, Variety and Sustainability:

This conference was quite a success with delegates from thirteen Asian countries. The show proved to be so popular, despite the recent accidental embassy bombing in Belgrade and subsequent anti-American demonstrations throughout China, that nearly 100 applicants had to be turned away. Originally envisioned to have an attendance of 250, a record 508 delegates came, 130 from 12 other countries in Asia -- signaling a strong turn-around in the region's economy.

AHEC and AF&PA are to be commended highly for the excellence of their work. Ms. Zheng's skills, be it recruiting key Chinese officials as speakers or delegates, handling conference liaison, or working with John Chan of AF&PA Hong Kong concerning conference design and strategy, were all of the highest quality. Likewise, John Chan provided an outstanding program and readily rose to the challenge when the number of delegates was double the expected 250. Both organizers are to be complimented for their enthusiasm, synergy and efficiency.

Presentation Highlights: Note: Summaries of individual Chinese presentations are not included as many individuals were interviewed privately and their remarks are included elsewhere in the report.

Richard Conti, Chair of the American Hardwood Export Council: In his opening remarks, Conti voiced the industry's support of China's accession the WTO. This was not only met with strong round of applause, but also was picked up in the evening's Chinese language radio reports and in over a dozen Chinese and English language newspapers the following day.

Wang Kai, President, Chinese Wood Industry Society: Wang stressed to the audience that Chinese per capita consumption of hardwoods was extremely low, with much room to expand. China, however, needs to develop an efficient plantation system and to import a broader variety of types and grades of hardwood products. Imports have a positive role to play in China's wood industry and over-reliance on one species, such as Beech from Europe, is not a good, competitive business practice.

Bob Sabastina, Export Manager, VKW Hardwoods: Sabastina pointed out that purchase of the highest grades and longest lengths is not the recipe for success. Furniture and interiors manufacturers can reduce costs and raise profits by looking for what they need, such as three-foot lengths for smaller pieces of furniture, since so much will be cut down. Character marking

should not be confused with defects. Bob not only received several well-thought out questions from the audience, but as of late June has received ten requests for price quotes from the 40-50 trade contacts he obtained at the conference.

Nicholas K De Lange, President, Design Ligna, Philippines: De Lange provided an outstanding slide show of how American hardwoods saved his company in the face of domestic logging restrictions. Covering all aspects of home furniture, he showed the evolution of company designs and introduced the audience to strategies for expanding medium- and high-quality furniture sales.

Tan Chin Huat, Executive Advisor, Malaysian Furniture Industry Council: Tan reviewed the growth of the Malaysian wood industry, documenting how imports, especially of American product, has become a normal part of business success.

Djalal Kamal, Chair, Indonesian Furniture and Handicraft Association: Kamal gave an overview of the evolution of Indonesian forestry, furniture and plywood management policies, stressing that freer internal competition and easier access to imports are necessary components to successful furniture exports.

Bert Choong Chee Peng, Chair and Group Managing Director, Nobel Group: Choong introduced the audience to the linkage between housing, consumer demand and furniture retailing using data from the Singapore market. Age group and income class are also important determinants, especially as different furniture styles (modern western vs. Asian traditional) may find strong constituencies within the same country.

Summary of Wood Mill Tour: Two mills were visited during the second day of the conference. Located two hours southwest of Beijing, these mills represented the cutting edge in Chinese furniture production.

The first mill was entirely privately owned (the first the author has ever visited in six years of covering the Chinese wood trade) with exports projected to reach \$40 million in 1999. The firm, L&Y Tianjian Construction, was set up in 1994 and sources product from Xinjiang Province in the far northwest, Inner and outer Mongolia and Heilongjiang in the northeast. He works with spruce, pine and fir and some larch and birch. Mr. Liu, the company's CEO, would not comment on how he overcame domestic shipment costs. The firm's main export markets are the United States and Japan and sales are aimed at the mid-income market. In walking through the production line, I saw no more than one employee in ten "on break" – the highest efficiency level I have seen anywhere in China. The furniture was of solid make, though some of the American manufacturers noted some problems in the hinges and internal joints of the furniture.

The second mill represented the far more common collectively owned-mill. While three workers in ten were on break in the line, the output, from the hand detailing, variety of woods used, and the quality of drawer and hinge fittings was of higher quality than the furniture of the first mill. The mill has over 20 years of experience and has already begun to import some U.S. hardwood lumber.

Chinese National Furniture Association

Mr. CAO Yingchao, General Secretary

Mr. CAO Yingchao warmly received me in his office in northwestern Beijing. He gave me copies of his most recent editions of ..., which contained no less than three articles on the U.S. hardwood industry, highlighting AHEC services, and one spreadsheet on U.S. hardwood milling characteristics.

CNFA was founded in 1988 and has 3,000 members organized into 28 provincial committees, an executive committee of 50-60 members, and roughly 200 local administrative committees. At the national level there are no other competing furniture associations, but there are competitor associations at the provincial level. Mr. Cao estimates that China is currently home to 50,000 furniture manufacturers, most of which are very small-scale. The firms in his association, especially at the higher levels, represent the larger, more established companies.

His organization supports the logging ban as it serves to protect the environment, both in terms of protecting precious flora and fauna and in terms of erosion and development control. His association has the power to influence government, especially the Agency (formerly Ministry) of Light Industry. The CNFA, for example, was an advocate of the zeroing out of tariffs for logs and lumber. CNFA supports tariff reductions for other value-added wood products, but added there is pressure from other wood processing industries to maintain some form of tariff protection.

Profits to the Chinese furniture industry have been particularly good – with Chinese companies on average realizing 14-20 percent profits in the early 90's and 12 percent in more recent years. These profits are well above national average growth rates of 10-12 percent and 8-10 percent for the same periods. Cao hesitated, however, to equate growth in housing demand with furniture demand. In many cases, housing must change hands because ministries, agencies and state- and collectively-held factories have been ordered to sell off their residential property holdings. Even when the purchase of a new apartment is purely voluntary, demand for furniture is highly variable. This family may choose to make do with what they have or acquire just a few pieces of low-grade furniture, while another family, in anticipation of a wedding, may expend major sums of money. Even when the decision is made to buy furniture, there is far too much variability, even within one city, to determine what kind of furniture that family will buy – glass, steel, traditional or modern.

Chinese National Flooring Association

Mr. LU Bin, President

In a side meeting during the AHEC Asia Convention, I met with Mr. Lu, who in addition to serving as the President of CNFA, has worked for ten years in the country's National Center for Quality Supervision and Testing of Wood-Based Panels.

There are 300 large-scale plywood plants throughout China, producing from 10,000 to 150,000 square meters per year. The largest one is in Shanghai, with the second and third largest in Shenzhen, Guangdong Province, and Zhejiang Province.

His agency supervises the industry through registering companies (and thus ensure appropriate taxation practices), and working to development better plywood mill management systems and product standards. Plywood mills are liable for income, value-added and business taxes. Product standards are currently under revision.

Regarding political relationships, the Forestry Agency and the Standards Agency both worked to push through the recent tariff reductions on logs and lumber. The Agency of Internal Trade (again, formerly a Ministry), has been more reluctant as domestic firms must then compete more intensively with foreign suppliers. He is interested in finding out whether or not the U.S. Environmental Protection Agency can provide guidance and assistance with regard to developing environmentally sound processing standards.

REPORTING DEVELOPMENTS

Clear Thinking

I met with a number of representatives of Clear Thinking, the AAO's designee for preparing the forest products annual. I answered their questions concerning reporting requirements and strategies, emphasizing the need to know what drives demand and which way the market will go. Data should document what is happening, while text should explain the players and processes influencing market access, market development and market competition. Anecdotal information on the type, location and variety of western-style housing developments would be especially welcome. We also went over production, import and export requirements and methodologies for testing assumptions and documenting changes in market expectations.

Ms. Suzanne Hale, Minister Counselor for Agricultural Affairs FAS/Beijing

I briefed Ms. Hale and Mr. Ralph Bean, Agricultural Attache, on the current status of my trip findings and objectives of the visit. A strong pitch for Cochran was made for FY 2000 as there were no longer any program-led demonstration projects with which to train officials and experts on the benefits of wood materials, construction, design and standards. I also noted the remarkable candor and warmth of my meetings, especially in light of the current bilateral tension.

Activities for Follow-Up

1. John Chan confirmed that he will conduct a survey of the 15 firms that attended the High Point, North Carolina, Furniture Show in 1998. The results of that survey should be delivered by the Fall of 1999.
2. Work with the U.S. Forest Service, International Programs Division, and the FAS/Cochran and EMO offices to consider technical exchange or some other support that China's Forestry Academy might pursue for its study proposal on "China's Wood Market Demand and Impact on

World Markets”. Determine if there is Cooperator interest in supporting such a proposal, or supporting one redrafted to analyze the impact on the U.S. solid wood market.

3. Work with AF&PA Beijing and AHEC Hong Kong to assess the impact of the Asia Convention. One evaluator has already communicated that China is ready as a stand-alone market independent of Southeast Asia and should receive higher priority in market development efforts.
4. Contact EPA regarding the Ministry of Construction’s interest in residential plumbing technology and pass on the appropriate contact information to the relevant parties.
5. Email to AF&PA/Beijing, with a cc to AF&PA/Washington and AF&PA Hong Kong, monthly export summaries for China and Hong Kong.
6. Provide a DOC contact for MOC concerning plumbing standards.

Conclusions and Recommendations

1. The size, sophistication and influence of Chinese wood trade associations is rapidly growing and there are new and growing opportunities to form marketing alliances with these associations through trade shows, product display centers and outreach.
2. Consider placing advertisements or feature articles on the benefits of wood-frame construction with U.S. materials in Chinese furniture, interior, and timber exchange publications. These are simultaneously reviewed by Chinese mills, architects, designers, distributors and consumers and will help to expose the wide array of wood components and technologies to an audience already interested in producing, trading and consuming wood products.
3. Timely and effective commercial and technical alliances to service China’s rapidly growing wood manufacturing sector are now more important than ever. The ability for China to stimulate (or disrupt) the U.S. and world wood market will become increasingly evident over the next ten years. To facilitate a convergence of commercial and ecological development needs, U.S. industry and political leaders should carefully consider opportunities for improving China’s ability to assess and diversify its resources for meeting its wood resource needs.

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