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Title

Introduction to China's export of wood products and attitudes and measures taken in combating illegal logging

I. Introduction to China Timber and Wood Products Distribution Association and China's export of wood products to Japan

China Timber and Wood Products Distribution Association (CTWPDA) was established in 1985. It is an authorized national association registered in Ministry of Civil Affairs of the People's Republic of China, with 1050 members distributed in various provinces and cities in China. It is composed of 7 specialized committees, specialized committees of timber market, flooring, wooden doors, anti-corrosion of timber, veneer, engineered wood and market credit evaluation, and center of timber-related professional skills appraisal, periodical of information for timber distribution and website.

The objectives of CTWPDA are to serve for the enterprises and consumers, i.e., to provide platforms for the exchanges and trade, such as exhibitions and fairs, to organize training, to set up standards, to provide information, to standardize market and evaluate credit for enterprises, to promote enterprises to join in activities of promising their service to let customers feeling at ease, to organize participation of exhibitions and exchanges abroad, to explore overseas resources, to report suggestions and demands of enterprises to government.

Table 1 China's export of wood products to Japan (Jan. to Oct, 2009)

Exports	Quantity (0000 m ³)	Amount (0000 US\$)	Share in Export Quantity
Sawnwood	25.23	16548	53.90%
in which, Korean pine and scots pine	9.16		
Spruce	1.50		
Paulownia	6.60		
Veneer	0.71	1648.2	10.10%
Particle board	0.17	211.4	2.60%
Plywood	32.72	12546.25	7.20%
Wood products for Construction	4.93	13129.87	15.00%
in which, wooden doors	2.80		13.40%
Wooden furniture (0000 piece)	1581.8	45520.3	11.60%

1) China's timber supply, consumption, and forest resources

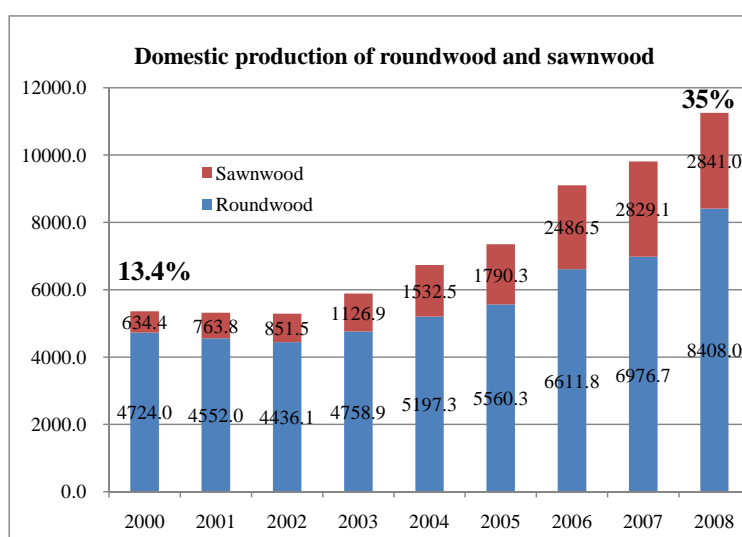
Table 2 China's timber supply (2008)

Supply	Quantity (0000 m ³)	Share (%)
Domestic production of commercial timber	8108.3	22
Farmers' wood for private use and fuelwood	5281.6	14
Wood fiberboard and particle board	6817.3	18
Harvests beyond quota and timber in stock	1400.0	4
Import of roundwood	11558.4	31
Import of sawnwood	1009.0	3
Import of pulp and other wood products	2957.0	8

Table 3 Timber consumption (2008)

Consumption	Quantity (0000 m ³)	Share (%)
Consumption of timber for industrial and construction uses	8287.6	22.3
Paper-making	13014.8	35.0
Furniture	4477.8	12.1
Export	5833.9	15.7
Coal mining	1042.2	2.8
Farmers' wood for private use and fuelwood	3670.7	9.9
Others	817.7	2.2

Fig. 1 Domestic production of roundwood and sawnwood (0000 m³)



China's forest is managed relatively strictly through certificate of harvesting and certificate of transportation, and only a small quantity of timber is from illegal logging. In 2008, production of commercial timber is 81.08 million m³, production of farmers' wood for private use and fuelwood is 52.82 million m³, while another 14.00 million m³ are from harvests beyond quota.

China has established its own forest certification standards and will implement it next year. FSC and PEFC and other schemes are implemented in China, but the share is less 1%.

II. Situations and challenges for China's wood products export enterprises

Compared with other industries in China, timber industry which is aiming at EU and USA markets and constrained by resources is facing the following situations and pressure.

III. 1) Affected by financial crisis, enterprises have the problem of low competition capacity revealed.

Financial crisis in last year heavily affected wood products export enterprises in China. Many export enterprises stopped the production or only reached half of the production volume as usual. There were much less transactions in wholesale market, and distribution enterprises face serious pressure. Even though, in January to October, the export of wood products increased if compared with the same period last year, the problems appeared during the financial crisis have to be considered.

China now can be said a big country of production and export, but not a strong country. The following problems have appeared during the financial crisis. Firstly, the size of enterprises is small, and the level of management is low. Secondly, there is no much variability of products, low added-value, low contents of science and technology, short of competition capacity, and there is a necessity of upgrading industry. Thirdly, many enterprises do not have their own brand, distribution channels and network for their own products in international market. Therefore, enterprises have to rely on others heavily. It is necessary to solve these problems in order to increase the competition capacity in international markets.

2) Export enterprises have to meet stricter standards to enter international markets.

Combating illegal logging and related trade and establishing sustainable forest ecology system have been attracting international attentions. Countries in Europe and America issued some standards and codes and increased the entrance requirement into their wood products markets.

3.2.1 The Lacey Act of USA was amended in 2008, and the difficulty and risk were increased.

According to the Lacey Act, it is unlawful to import, export, transport, sell, receive, acquire, or purchase any plant in violation of the laws of the United States, a State, or any foreign law that protects plants.

The Lacey Act Amendment was supposed to be put into force since April 1st 2009, from

primary products to more value added processed products, step by step, but later the implementation was delayed. But still, we have to be prepared for the implementation.

3.2.2 EU and Japan, as main importers of wood products, constrain illegal wood products to enter market by taking a green procurement. Firstly, EU adopted an action plan for Forest Law Enforcement, Governance and Trade (FLEGT) to combat illegal logging. Secondly, EU announced to make legislations against illegal logging for its member countries in 2008. Thirdly, countries like UK, France, Germany, Holland and Japan take forest certification of FSC, PEFC or others as a requirement to enter market. Fourthly, industry associations like Timber Trade Federation (TTF) in UK and French Timber Trade Federation (LCB) have established codes of conduct for their members, to ensure raw materials are from legal sources. B&Q, Kingfisher China, Ikea and other companies set their own responsible purchasing system to make sure that their wood products are from legal and sustainable forests.

These measures concerning trade, taken by a legislative form or voluntary actions by enterprises, require that the export from China must obtain the green permit to enter international market.

3) Many countries are stricter to export of timber from natural forests.

As more and more international efforts are made to fight illegal logging, either African timber producer countries or coniferous timber exporting Russia, are limiting exports of timber from natural forests, and the quantity will decline year by year. This will cause China to decrease its timber import, and enterprises by using imported raw materials will be constrained.

Therefore, China's wood products enterprises not only have to increase their competition capacity, but also have to face a series of regulations by Europe and America on entering their markets, and issues of how to escape from the risk of trade and obtain green permit to international markets.

IV. How China's wood products enterprises grasp the opportunity to develop under the challenges of global climate change

The existence and development of mankind are affected by climate change. How to deal with climate change implies a global challenge, and also an opportunity for the development of forest industry. Forest industry includes primary industry, secondary industry, and tertiary-industry; it has wide scope, long chain of industry, and is an important part of industry chain to develop economically, environmentally friendly, and sustainably. Forest industry plays an important role in establishing resources-saving and environmentally friendly society and dealing with global climate change. To research the development of forest industry, it is necessary to link it with sustainable development.

Concerning this, Chairman Hu Jintao proposed 4 points in UN climate summit recently. To fulfill one's own responsibility is the core; win-win result is the objective; mutual

development is basic; capital and technology is key. Chairman Hu also proposed detailed measures. This speech not only stated the standpoints of Chinese government, but also pointed out the direction of development of timber industry and fighting illegal logging for our country.

Based on the present situations and measures taken by international society in dealing with climate change, we think that we should tackle the following two issues.

1) Set up corporate social responsibility (CSR) and responsible purchasing system, in order to obtain basic qualification to enter international market for enterprises.

Enterprises should be encouraged to promise to the society that they not import, use and sell “illegal timber and wood products” when confirmation is possible.

Enterprises should make efforts in showing that their raw materials are from a legal source by trying every possibility under their own conditions. Enterprises can choose FSC, PEFC, or China’s own forest certification scheme to certify the chain of custody (CoC). Those enterprises without being able to get certification also need to establish internal traceability system for legal timber source and responsible purchasing system. Import enterprises should add contents of legal timber source in their contract by requiring suppliers’ promise to make sure that the timber they provide comply with local regulations, and fill in proper names of imported timber species, including English and Latin names, value, quantity, origin of production, etc. In this way, importers in China can provide related information to export enterprises which use imported timber and make export enterprises meet the information requirement to enter international market.

2) Emphasis should be put on scrimber, engineered wood, laminated bamboo lumber and others that have high technology contents and are friendly to environment, and structure of industry be adjusted, in order to increase the capacity of competition for Chinese wood products to enter international market.

To tackle climate change, it is necessary to take measures not only to impose restrictions, but it is more important to develop new environmentally friendly products, in order to meet the needs of economic development and life of mankind. That is, not only “stop up”, but also “dredge”. The first is to develop scrimber to substitute hardwood and wood of precious tree species; the second is to promote structural engineered wood in construction to substitute some of the uses of steel and cement which consumes more energy in the process of their production, and this also helps to decrease pollution; the third is to develop laminated bamboo lumber to substitute timber.

These measures have the following significance. Firstly, these measures help to accelerate structural adjustment of wood products. Scrimber, engineered wood, and laminated bamboo lumber are deeply processed, with more contents of technology, high added-value, and wide scope of usages. Aiding to develop these products helps to adjust the structure of forest industry, upgrade wood products enterprises.

Secondly, these measures are helpful to meet the market demand and decrease the trade risk. The above stated products are all from fast-growing plantation forests, or lumber of small size. This will increase the utility of lumber of small size or inferior lumber, and get good economic benefit. Besides, by using timber from fast-growing tree species, there is less risk for exporting products to other markets. The market needs can be met while the consumption of hardwood and wood of precious tree species can be decreased.

Thirdly, these measures are good to decrease the consumption of energy in construction. Constructions of cement structure and of steel structure consume energy as much as 2.2 and 1.5 times of that in construction of timber structure, respectively. During the production, steel and cement also consume much more energy than timber does. If set the consumption of energy for unit timber production as 1, then 5 for cement and 191 for steel. Therefore, using timber instead of cement, steel and soil brick, can decrease energy consumption in the process of production of building materials and also in construction, effectively decrease the emission of carbon dioxide.

Fourthly, these measures will help farmers to plant trees actively, and develop forest industry. Now China has become a country with largest plantation forest area. Developing scrimber and engineered wood open a new field for using timber from plantation forest. If helps farmers to plant trees actively, agriculture increase efficiency, farmers increase their income, and finally, more fast-growing forest can be obtained, ecological environment improved.

Therefore, emphasis should be placed on reasonable making use of timber, developing scrimber, laminated bamboo lumber and other environmentally friendly products, promoting construction of timber structure, accelerating sustainable uses of renewable resources, and make this as one of the future development strategies.

V. CTWPDA's attitude towards and measures taken on combating illegal logging

In recent years, attitude of Chinese government towards illegal logging is resolute. China Timber and Wood Products Distribution Association (CTWPDA) and member enterprises also take positive attitude and practical measures. What we are doing include the following.

(1) To fully make use of publications and website of CTWPDA to promote sustainable forestry development and the importance of international legal timber trade, help enterprises to set up consciousness of environment protection.

(2) To strengthen industry being self-restrained. Appeal to member enterprises not import, use and sell "illegal timber and wood products" when confirmation is possible. When evaluating credit situations for enterprises, whether enterprises are certified by CoC or not, whether responsible purchasing system is established or not, and how much contributions to environment protection, are considered.

(3) To organize enterprises to plant trees and to donate to China Green Foundation once a year.

(4) To strengthen the cooperation with international environment protection organizations

and associations. To introduce international forest certification schemes to enterprises and to promote the development of CoC certification by way of holding seminars, providing training and consulting services. After Lacey Act was amended, we held meetings with related USA associations and invited officials from US Department of Justice to give introductions and exchanged over mutual concerns with enterprises in China.

(5) To submit suggestions to Chinese government in decision-making on combating illegal logging, and report voices of enterprises.

(6) To exchange information actively and cooperate with associations such as those from USA, Malaysia, Japan, and ITTO. In October 2009, CTWPDA signed cooperation agreement with TFT. By setting up cooperation relationships for mutual benefit, exchanges and sharing will be strengthened in the fields of consistent objectives. The signing of the agreement made CTWPDA a partner in the second stage of TTAP project (the Timber Trade Action Plan), and set up a partner relationship with TFT.

(7) To develop and promote scrimber, laminated bamboo lumber and engineered wood to substitute hardwood and timber from precious tree species.

(9) To provide actively professional training on timber inspection to timber inspectors for enterprises and inspection agencies in harbors.

There is no border for climate change. No country can do by itself. A principle of holding common views but recognizing differences is necessary when making decisions in dealing with climate change and combating illegal logging and related trade. China is still a developing country. In the international division of labor, China is in the position of processing. The size of timber industry is small, and it is especially true for distribution enterprises, mainly self-employed business. There are not many large and strong enterprises. There is little consciousness of social responsibility among enterprises. The work emphasis of CTWPDA from now on are: 1) to enhance the consciousness of social responsibility in enterprises; 2) to help enterprises to set up responsible purchasing system; 3) to undertake researches on inspection measures of source legality of export wood products in China; 4) to promote and spread forest certification, CoC certification, in China. We hope we could get much support from government, enterprises, research institutes, international organizations, and foreign timber industry associations. We would also like to continue to strengthen our cooperation with international organizations and agencies, and make greater efforts together on the sustainable development of forest industry and trade and the protection of mankind life environment.