

# C I N T R A F O R

## Special Paper 48

### Wood Market Trends in China

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#### Executive Summary

Since joining the WTO in 2002 China's economic growth has remained in double digits year after year. It has greatly increased exports and in 2006 was responsible for a third of the United States' \$US750 billion trade deficit. China is now referred to as the world's manufacturing center. This is true not only for clothing and toys but also for manufactured wood products: China was the world's largest exporter (by value) of wood furniture, plywood and hardwood flooring in 2006 (data from GTA).

China is far from self-sufficient in wood materials for its growing wood, pulp and manufactured wood products industries. Increasing imports of wood raw material sourced globally combined with increasing exports of finished products ensure that China will continue to have substantial impact on global trade in wood products, both as a customer for wood as a raw material input, and as a competitor producing finished wood and paper products. In fact China will continue to impact all aspects of the global wood value chain from resource to final market.

China offers both opportunities and threats to wood industries world-wide that are based on trends within the Chinese society and economy. This report identifies some key trends in China and notes how they can lead to opportunities for North American wood producers.

While these trends are identified based on recent history in China there are a few disruptions that could create a diversion of China's development. These include: non-tariff trade barriers based on health and safety concerns, social disruption due to increasing inequity of income distribution; the dismantling of social programs; ineffective administration due to corruption; and catastrophic environmental events due to high levels of pollution and degradation of natural capital. Increasing environmental concern is noted both externally and internally. Importing regions are expressing increasing concerns regarding issues such as sourcing illegally or unsustainable harvested wood supplies; Japan and Europe are exploring both regulations and public purchasing policies. Internally, companies are increasingly adopting chain of custody certification while government organizations are exploring various certification schemes to ensure market access for their exports. Each of the aforementioned issues are worthy of their own report. However, this report assumes that many of these concerns will be dealt with by the leadership in China who are aware of each of these problems.

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