

I. Forest Industry

Market Environment

China's large forestry sector plays a significant role in its economy. Forested land comprises 133.7 million hectares, or 13.9 per cent of China's total land area. It is concentrated in three principal regions: the northeast, the southwest and the southern provinces.

Pulp and paper production and consumption have risen significantly with China's rapid economic growth over the past 15 years. Production is increasingly unable to meet demand, despite the fact that 1994 per capita consumption of paper was only 20.2 kg per year, compared with 322 kg in North America. The demand for greater volume and higher-quality paper products is challenging China's domestic industry, which is increasingly constrained by limited raw material and outdated mill technology. A boom in construction has also led to acute shortages of wood and other construction materials, causing prices to soar.

Business Opportunities

Equipment

Annual investments equivalent to \$1.6 billion for technical improvements and imports of machinery are anticipated under China's Ninth Five-Year Plan. In 1994 China imported US\$894 million worth of equipment.

Pulp

In 1995, China's production of wood pulp was 300 000 tonnes. China plans to

increase production to 1.2 million tonnes per year by the year 2000. To meet growing demand, domestic production will continue to be supplemented with imported pulp. In 1994, China imported 778 950 tonnes of softwood pulp, of which Canada supplied almost half, or 325 869 tonnes. Canadian exports of wood pulp to China in 1995 were \$331 million.

Paper

Production in the paper and paperboard sector has been growing rapidly for the last 10 years. Production reached 24 million tonnes in 1995, falling short of the apparent demand of 26.5 million tonnes. Current projections forecast domestic production of 30 million tonnes by the year 2000 and 40 million tonnes by the year 2010. Demand is expected to continue to exceed production, necessitating additional paper imports. Canadian exports of paper and paperboard were \$26 million in 1994, \$18 million in 1995.

Wood

Growing consumer affluence is fuelling greater interest in new housing and home renovation. This trend is creating a potential new market for value-added wood products, such as interior finishing. While still modest, Canadian exports of wood articles were valued at \$21 million in 1995, up from \$19 million in 1994. China imported approximately US\$543 million in wood (rough, sawn and/or chipped wood) and US\$816 million in plywood, veneered panels and laminates.

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