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**Pacific Rim Market Profile
Forest Products Trade by Country**

1985

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PACIFIC RIM MARKET PROFILE
FOREST PRODUCTS TRADE
BY COUNTRY

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PREFACE

This report brings together current available information on U.S. and Washington State trade in forest products with their trading partners in the Pacific Rim. General economic indicators and major trade patterns for each Pacific Rim country are presented.

Materials in this report were drawn from major published sources. These sources are listed in the bibliography and are denoted throughout the body of the report by the numbers in parentheses near each section.

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I. U.S. MARKET SHARE OF PACIFIC RIM TRADE⁽¹⁾

The United States has been increasing its share of world wood trade for the last 20 years. The U.S. share of world wood exports (value basis) increased from 5% in 1961 to 12% in 1982 (the last year for which reliable international statistics are available). However, U.S. share by country and product varies.

Softwood Logs

The United States is the major world supplier of softwood logs, supplying 54% of world log imports in 1982.

The major importers are Japan, South Korea, and the Peoples Republic of China (PRC). Japan, by far the largest importer, absorbs more than half of all world log exports, and the United States supplies about 60% of its softwood log imports.

Though Japan is the major market, Korea's softwood log imports from all countries has quadrupled in the last ten years. The U.S. share of this market fell from 77% in 1970 to 58% in 1981, but had risen to 82% in 1982. The actual volume exported during this period by the United States to South Korea has increased from 49 million (1970) to 318 million board feet (1983).

U.S. exports of softwood logs to the Peoples Republic of China (PRC) have experienced more growth than to any other market. The United States shipped nothing to China until 1980 when 88 million board feet (MMBF) of logs were shipped. This figure had increased seven times to 728 MMBF by 1983. Given China's huge population and its government's current economic policies, China is a market which continues to hold great promise for the United States.

Hardwood Logs

Although the United States supplies only about one percent of the world's hardwood logs, the volume is not insignificant. Pacific Rim countries are not included in U.S. hardwood log markets.

Softwood Lumber

The United States is the largest importer of softwood lumber in the world, and it is the fifth largest exporter. In 1982, the United States held a 10% share of world markets. Japan is its largest market; the United States supplied 34% of Japan's softwood lumber imports in 1982. Japan is the only Pacific Rim country where the United States is a major supplier of softwood lumber.

Hardwood Lumber

The United States was the fourth largest exporter of hardwood lumber to world markets in 1982, behind Malaysia, Indonesia, and Singapore. The volume of U.S. hardwood lumber exported has grown by four times since 1970,

and its market share has increased from 4% in that year to 8% in 1982. Once again, Asia is not included in U.S. hardwood lumber export markets.

Softwood Plywood

The U.S. Softwood plywood share of world imports of total plywood has increased from 3% in 1970 to 8% in 1982. Europe is its primary export market.

Hardwood Veneer

Although the United States is the largest importer of hardwood veneer, it is also one of the world's major exporters. In 1982, the United States exported 15% of the world's imports of veneer, a substantial increase from a 10% share in 1970.

II. WASHINGTON EXPORTS⁽²⁾

Washington State's exports of lumber, averaging 406 million board feet from 1975 through 1980, showed an 81% increase during this period.

Plywood exports, however, declined to 23 million square feet in 1980. This is down from 186 million square feet in 1975. Logs are the major export commodity from Washington state, accounting for over 80% of the value of wood exports since the mid 1970s.

The destination of shipments from Washington State depends on the product. Japan and Canada accounted for over 80% of the lumber exports while Canada and Europe have received over 90% of the plywood exports.

Japan and Korea were the destinations for over 98% of the log exports in the late 1970s. By 1982, the Peoples Republic of China had increased their share of log exports to 21%. The first purchases were in 1980.

Washington State industries are obviously dependent on Pacific Rim markets. Any analysis of the future of Washington's wood products industries therefore, must incorporate the supply and demand situation of Pacific Rim timber producers and consumers.

WASHINGTON TRADE

EXPORTS

COMMODITY	VOLUME UNITS	1975		1976		1977		1978		1979		1980	
		VOLUME ¹	VALUE ²	VOLUME ¹	VALUE ²	VOLUME ¹	VALUE ²	VOLUME ¹	VALUE ²	VOLUME ¹	VALUE ²	VOLUME ¹	VALUE ²
LUMBER	Million B.F.	335	75	374	100	301	89	362	106	457	185	607	198
PLYWOOD	Million S.F.	186	27	197	32	89	15	86	18	56	15	23	6
SUBTOTAL		102		132		104		124		200		204	
LOGS	Billion B.F.	1.6	427	20	553	2.0	636	2.4	789	2.6	1,184	2.2	1,086
CHIPS	Thousand Tons	958	37	1,249	42	1,077	52	1,104	51	1,055	56	769	60
SUBTOTAL		464		595		688		840		1,240		1,146	
TOTAL VALUE		566		727		792		964		1,440		1,350	

¹ Includes Columbia River Ports

² Value of total exports based on the average value of materials shipped through the Seattle Customs District - millions of dollars

SOURCE: Port of Seattle and
Port of Longview, United States Department
of Commerce

Lumber Export Volumes by Destinations (thousand board feet)
(from WA State)

	<u>Canada</u>	<u>Europe</u>	<u>Japan</u>	<u>Korea</u>	<u>China</u>	<u>Saudi Arabia</u>
1978	94,579 (33)	25,313 (9)	143,209 (50)	3,208 (1)	--	808
1979	103,406 (26)	25,325 (6)	260,476 (64)	2,663 (1)	--	2,998 (1)
1980	154,093 (30)	59,742 (12)	261,089 (51)	4,192 (1)	--	9,771 (2)
1981	211,855 (45)	30,736 (7)	191,792 (41)	5,256 (1)	335	16,827 (4)
1982	126,259 (26)	35,570 (7)	284,432 (59)	4,724 (1)	--	17,320 (4)

Note: (1) Seattle Customs only
(2) Numbers in parenthesis are percentage of total

Source: United States Department of Commerce,
Seattle Customs

Log Export Volumes by Destination (thousand board feet)
(from WA State)

	<u>Canada</u>	<u>Europe</u>	<u>Japan</u>	<u>Korea</u>	<u>China</u>
1978	12,660 (1)	82 (-)	1,640,970 (85)	271,887 (14)	--
1979	24,124 (1)	252 --	20,062,334 (89)	226,982 (10)	--
1980	1,285 --	466 --	1,490,722 (88)	163,988 (10)	43,271 (2)
1981	1,944 --	202 --	1,014,030 (720)	112,545 (9)	171,467 (13)
1982	12,689 --	261 --	1,023,444 (63)	219,784 (14)	338,080 (21)

Note: (1) Seattle Customs only
(2) Numbers in parenthesis are percentage of total

Source: United States Department of Commerce,
Seattle Customs

III. COUNTRY PROFILES



1. AUSTRALIA



Market Profile -- AUSTRALIA⁽³⁾

Economic Overview

Australia's recession is shallow compared with that of other industrial nations. A 2.2 percent growth rate is expected in the non-farm economy. However, Australia is not immune to inflation (currently 12 percent), a current account deficit, high interest rates, and unemployment. Labor relations continue to be a major problem for that nation's economy with frequent wildcat strikes occurring. Wage and price restrictions also are being considered.

Major Developments

Oil and gas exploration, valued at over \$1.2 billion, is centered on the Bass Strait and Northwest Shelf regions. Twenty offshore wells and a \$800 million oil pipeline are to be constructed in the Bass Strait region. Plans are underway to extract the recently discovered diamond find in Western Australia, reported to be the largest such discovery. Coal, a major export earner, should see production increase from 100 million tons at present to over 160 million tons in 1985. Due to low world prices, limited development will occur in the nonfossil fuel area.

Foreign Trade

Best U.S. Sales Prospects. Mining construction and materials handling equipment; computers and office machines, agricultural equipment, aviation systems, health care systems, oil and gas exploration equipment, industrial instrumentation and control equipment, printing and graphic arts units, sporting and leisure equipment, automotive parts, safety and security equipment, and metalworking equipment.

Major Suppliers (1980). U.S. (23 percent), Japan (15 percent), and United Kingdom (11 percent).

Principal Exports. Livestock, meat, wool, wheat, and mineral resources.

Major Markets (1980). Japan (25 percent), United States (15 percent), and United Kingdom (12.6 percent).

Finance

Currency. Australian dollar. Current exchange rate (May 1983) \$A.85=\$US1.

Domestic Credit. Commercial bank prime rate averaged 18 percent.

National Budget. Faced with a difficult economy, budget outlays have been severely limited. Expenditures in 1981 totaled over \$30 billion, with lower revenues expected due to international economy.

Balance of Payments. Foreign exchange reserves stood at the end of FY 1981 at \$6.8 billion. Australia has registered a current account deficit of over \$586 million due to a very poor export market. Australia commonly runs a current account deficit but has not run a trade deficit since the mid-1960s.

Foreign Investment

U.S. investment totals over \$6 billion. Most foreign direct investment comes from the United States and Japan.

Import-Export Trade
(millions of U.S. dollars)

	1979	1980	1981
Total imports (f.o.b.)	16,345	20,712	23,635
Imports from the U.S.	3,844	4,583	4,800
Manufactured goods	1,200	1,700	3,200
Other	--	--	--
Total Exports (F.O.B.)	18,468	22,538	21,279
Exports to the U.S.	2,200	2,654	2,450
Manufactured goods	1,259	1,307	1,100
Agricultural goods	745	1,012	1,000
Other	196	335	350

Principal Imports from the U.S. in 1981
(millions of U.S. dollars)

	Value	Percent of Total
Mining and exploration machinery	252	4.8
Industrial machinery	393	7.4
Computers, office machines	355	6.7
Motor vehicles	277	5.2
Agricultural implements	178	3.3
Aviation equipment	229	4.3
Health care systems	80	1.5

Investment Prospects. Increased Australian equity will be expected in future foreign investment projects. Federal and State Governments have pro-investment policies.

Basic Economic Facilities

Transportation. 960,000 kilometers of roads nationwide. Railways are owned by the states and carried over 100 million tons in 1981. Two domestic airlines, one international.

Communications. Highly developed in coastal, populated areas, more difficult inland. Australia has 130 radio stations, 146 commercial television stations, and over 7 million telephones.

Power. Installed electric generating capacity exceeded 24,000 megawatts in 1980; 71 percent of thermal power equipment uses coal. Household current is 22 volts/50 cycles.

Natural Resources

Land. 2.9 million square miles; about the size of the continental United States Arable land--9 percent.

Minerals. Bauxite, coal, iron ore, uranium, nickel, tungsten, and diamonds.

Population

Size. 15 million (1982); one of the world's most urbanized people with 83 percent on 4 percent of the land.

Labor Force. 6.4 million in 1981. Highly unionized. Unemployment rate is 10 percent.

Education. Compulsory school attendance to age 15. Near 100 percent literacy. Universities government funded.

Language. English.

(4)

PEOPLE: Population-- 15 million. Ethnic groups--largely British descendants and other European groups, with a sizable aboriginal group. Language-- English.

WEATHER: Subtropical to temperate.

GEOGRAPHY: 2.9 million square miles. Sydney in New South Wales is the largest city, with 3.3 million residents.

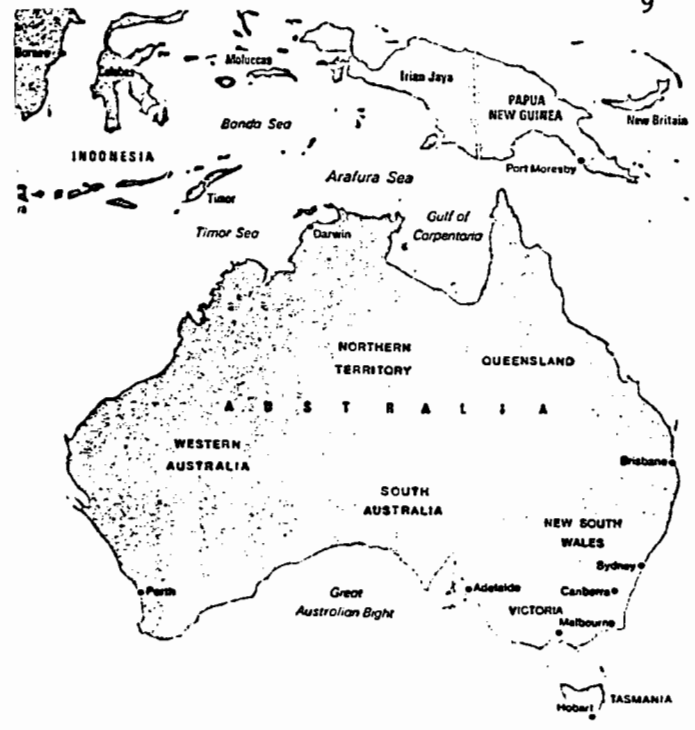
GOVERNMENT: Parliamentary democracy. Prime minister is Robert Hawke, elected in 1983.

(4)

SEATTLE LINK: State's eighth-largest trading partner, two-way trade about \$700 million. Major exports from the state include aircraft, lumber, paper products and agricultural machinery. Imports include bauxite and aluminum ores for region's aluminum smelters.

Total trade with Washington state was \$707 million in 1983, up from \$295 million in 1977.

- Bauxite, aluminum ores
- Beef and veal
- Aluminum alloys
- Ores and concentrates
- Shellfish--fresh and frozen



AUSTRALIAN TRADE WITH U.S. (6)

Imports from Australia, cif	USA	
	Jan-June 1983	1984
Meat & products	43,106	30,744
Dairy products	721	591
Fish & products	13,611	13,032
Cereals & products	18	338
Fruit, vegetables & products	740	499
Sugar & products	4,181	4,337
Beverages	602	754
Hides & skins, undressed	79	75
Wool, raw	4,476	7,960
Crude materials & fertilizers	398	21
Metalliferous ores & scrap	46,862	63,446
Crude animal & vegetable mats	309	210
Coal, coke & briquettes	169	147
Petroleum & products	2,266	18,347
Chemicals	12,688	13,858
Iron & steel	5,651	7,556
Non-ferrous metals	9,478	12,969
Machinery, incl electric	3,893	5,383
Total, including other items	166,720	200,574

Exports to Australia, fob	USA	
	Jan-June 1983	1984
Fish	1,058	1,476
Fruit, vegetables & products	3,074	3,478
Coffee, cocoa, tea & spices	113	221
Beverages	435	423
Tobacco & manufactures	2,722	2,456
Crude rubber	931	1,576
Wood & pulp	5,572	6,685
Textile fibers & waste	1,867	1,760
Crude minerals & fertilizers	2,146	1,703
Petroleum products	8,088	8,285
Chemicals	46,352	65,315
Paper & manufactures	9,166	9,393
Textile yarn, cloth & mnfrs	6,697	8,452
Non-metallic mineral mnfrs	2,761	2,984
Iron & steel	1,585	1,398
Non-ferrous metals	1,175	1,377
Metal manufactures	6,000	7,003
Machinery, incl electric	115,343	148,306
Road vehicles	14,373	21,133
Scientific instruments, etc.	24,389	27,205
Total, including other items	324,421	387,784

AUSTRALIA (6)

<u>Main Origins of Gross Domestic Product, 1981/82 (% of total)</u>	
Agriculture, forestry & fishing	6.6
Mining	5.9
Manufacturing	20.2
Construction	6.5
Public administration	4.0
Other tertiary	56.8
Total	100.0

<u>Main Exports, 1982/83 (US\$ mn)</u>	
Meat	1,571
Cereals	1,742
Wool & sheepskins	1,679
Metal ores & minerals	3,616
Coal	2,887
Total incl others	19,423
(Total 1983/84)	21,506

<u>Principal Origins of Imports, 1982/83 (% of total)</u>	
USA	21.9
Japan	20.7
UK	6.7
Other EC	13.4
New Zealand	3.2
Asean	7.1
Opec	11.0
Total incl others	100.0 (US\$20,279 mn fob)
(Total 1983/84)	(US\$21,291 mn fob)

U.S. FOREST PRODUCTS EXPORTS TO AUSTRALIA (f.a.s. basis)⁽⁵⁾
(In thousands of dollars)

Country/Commodity	1982	1983
Australia		
SOFTWOOD LOGS	61	25
HARDWOOD LOGS	--	31
POLES, PILES & POSTS	30	--
WOOD CHIPS	9	50
SOFTWOOD LUMBER	38,220	50,516
HARDWOOD LUMBER	546	794
SOFTWOOD FLOORING	--	--
HARDWOOD FLOORING	12	8
SOFTWOOD SIDING	82	139
HARDWOOD SIDING	--	--
SOFTWOOD MOLDING	4	18
HARDWOOD MOLDING	26	21
TREATED LUMBER, FLOORING, SIDING & MLDG	5	--
SOFTWOOD VENEER	--	42
HARDWOOD VENEER	475	379
SOFTWOOD PLYWOOD	27	38
HARDWOOD PLYWOOD	--	20
HARDBOARD	5	86
PARTICLEBOARD	143	531
CELLULAR WOOD PANELS	103	35
GYPSUM & PLASTER BOARD	--	--
OTHER PANEL PRODUCTS	796	210
OTHER WOOD PRODUCTS	<u>3,271</u>	<u>2,415</u>
Total	43,815	55,358

AUSTRALIA⁽⁷⁾

- The primary U.S. Forest products export to Australia is softwood lumber accounting for between 25% and 40% of imports in the 1970s.
- Significant plantations of softwood species have been established by industrial forest companies. As these plantations become harvestable, Australia, along with Chile and New Zealand, is becoming competitive with other softwood log exporters, including the U.S.
- Ninety-five percent of overseas imports in 1979/80 came from Canada (31%), U.S.A. (20%), New Zealand (18%), Malaysia (18%), the Philippines (7%).
- Plantation conifers will increase dramatically by the year 2010 to four times current usage of sawlogs and over 5 times in the case of pulpwood.

2. CHINA

Market Profile -- CHINA⁽³⁾

Economic Overview

China has entered its fourth year of economic readjustment and reform, continuing its attempt to rationalize the entire structure of the economy and to introduce management and organizational reforms, material incentives, and use of market forces. China's longstanding doctrine of economic self-reliance has been supplemented with an open-door policy designed to promote growth and development through integration with the world economy. Implementation of this enormous and complex task has had its ups and downs, and overall results to date have been mixed, but generally positive.

The Chinese economy achieved respectable growth in 1982. Overall industrial output grew at a 7.4 percent annual rate, with light industrial production up 5.6 percent and output from heavy industry up 9.3 percent. Chinese foreign trade in 1982 increased 3.5 percent. Foreign trade plans in 1983 call for somewhat slower growth in exports and a more rapid expansion of imports to promote domestic production and construction.

Major Developments

The Chinese Government, in an effort to consolidate and streamline its massive bureaucracy, in May 1982 announced a series of dramatic reforms. The changes have reduced the number of vice premiers from 13 to 2, and the number of ministerial level organizations from 98 to 52. In the foreign trade area, four organizations which shared responsibility for foreign trade and investment were merged into a new Ministry of Foreign Economic Relations and Trade. This reorganization was followed in September by the

12th Congress of the Chinese Communist Party, which reaffirmed the pragmatic economic policies that have guided China's development since 1979.

Foreign Trade

Best U.S. Sales Prospects. Agricultural chemicals, electronic components, mining equipment, oil drilling equipment and marine and port equipment.

Major Suppliers (1981). Japan (28 percent), United States (19 percent), and Hong Kong (11 percent).

Principal Exports. Petroleum and petroleum products, chemicals, vegetables and fruits, tea, silk, minerals, and textiles and apparel.

Finance

Currency. Renminbi (RMB), controlled by the Bank of China and generally adjusted in response to international monetary conditions. Currently 1.9 RMB=US \$1.

National Budget. The budget deficit in 1981 was greatly reduced from 1980, despite a drop in national income growth to 3 percent from nearly 7 percent in 1980. For 1982, state revenues were targeted to increase 3.8 percent with 4.1 percent growth in expenditures. This should reduce the budget deficit by approximately 18 percent.

Balance of Payments. China's foreign exchange reserves amounted to \$4.77 billion at the end of 1981. Chinese gold reserves at the end of 1981 were

12.67 million troy ounces, compared with 12.8 million troy ounces at the end of 1980. The trade deficits sustained by China in 1979 and 1980 were redressed in 1981 and 1982, and Chinese foreign trade in 1982 is estimated to have reached \$38.6 billion, with \$21.6 billion in Chinese exports and \$17 billion in imports.

Foreign Investment

China published a joint venture law in 1979. This was followed by an individual income tax law in 1980 and a new foreign enterprise tax law in 1981. China estimates that total foreign investment to date is approximately \$2.9 billion. The dollar value of U.S. investment in China is not known, although a large number of American firms have signed joint venture, countertrade, and co-production agreements with China.

OPIC programs are available for U.S. projects in China.

Import-Export Trade (millions of U.S. dollars)

	1979	1980	1981
Total imports (f.o.b.)	14,431	19,339	18,212
Imports from the U.S.	1,717	3,749	3,599
Manufactured goods*	10,391	12,726	--
Nonmanufactured goods**	3,992	6,590	--
Total Exports (f.o.b.)	13,488	18,910	21,394
Exports to the U.S.	653	1,161	1,875
Manufactured goods	6,864	9,827	--
Nonmanufactured goods	6,909	9,666	--

*SITC 5-8

**SITC 0-4

Principal Imports from the U.S. in 1982
(millions of U.S. dollars)

	Value	Percent of Total
Wheat	1,047	40.0
Synthetic resins	237	8.1
Logs and lumber	217	7.5
Corn	189	6.5
Cotton	177	6.1
Fertilizers	147	5.0
Textile yarns and fabrics	128	4.4
Scientific instruments	65	2.2
Soybeans	63	2.2
Chemicals	50	1.7

Basic Economic Facilities

Transportation. All major transportation facilities are state-owned. There are more than 897,462 kilometers of highways, 52,320 kilometers of railroads, and about 108,665 kilometers of navigable inland waterways.

Communications. A well-developed telegraph service; nationwide radio network; limited telephone and television systems. Linked to international communications system by cable and satellite.

Power. Production was 309 billion kilowatt-hours in 1981. Household current is 220 volts, 50 cycle.

Natural Resources

Land and Climate. 3.7 million square miles, mostly mountainous or hilly, only about 11 percent cultivated, 8 percent forest, 40 percent grassland. Climate is generally temperate in the north and subtropical in the south.

Annual rainfall increases from north to south (25 inches in Beijing and 75 inches in Ghangzhou).

Forestry. Afforested area was 4.1 million hectares in 1981. Major forest products are tea-oil seeds, pine resin, and tong oil seeds.

Population

Size. Estimated at 1.01 billion in July 1982, 14 percent urban. More than 9.2 million are in Beijing City, the capital and most important commercial center; other principal cities (in millions): Shanghai (11.8) and Tianjin (7.7).

Labor. Labor force totaled 432 million persons, of whom 322 million persons work in rural areas.

Education. A significant shift in educational policy has taken place since 1977. Current emphasis is on academic excellence and scientific research. The new plans call for sending a large number of students and scientists to study abroad each year.

Language. The national language is Chinese. Principal dialects: Beijing (Mandarin-official), Cantonese, Shanghai, Fukienese, and Hakka.

PEOPLE: Population-- World's largest country, with more than 1 billion people. Ethnic groups-- Wide diversity, but Chinese dominate. Tibet and Mongolia are among five autonomous regions populated by minorities.

WEATHER: Most is temperate, but climate varies.

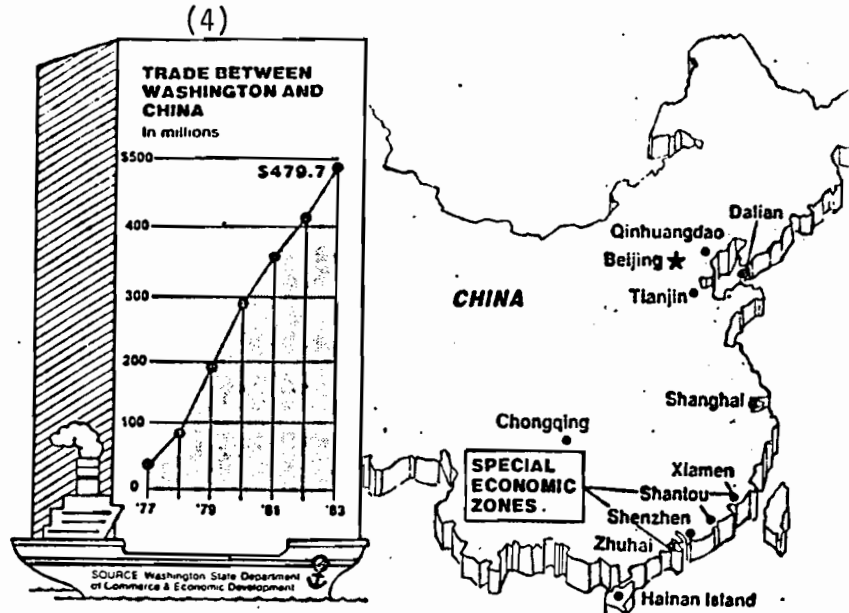
GEOGRAPHY: It occupies 3.7 million square miles. Peking, the capital, has about 9 million people.

GOVERNMENT: Communists took control of the mainland in 1949, and de facto power is in the hands of the Communist Party

SEATTLE LINK: Ninth-largest trading partner. A large local Chinese population continues to provide a cultural link with China

Total trade with Washington state was \$479.7 million in 1983, up from \$29 million in 1977.

- Refined gasoline
- Clothing
- Brooms, brushes and baskets
- Shoes
- Fireworks



Major Commodities Traded 1984 ⁽⁸⁾	
	% of total
Exports	
Textiles, clothing & yarn	27.6
Petroleum products	21.5
Vegetables, fruits & oilseeds	5.2
Manufactures	5.0
Metals manufactures	2.1
Cereals	1.5
Total incl others	100.0 (Rmb58.1 bn)
Imports^a	
Iron & steel	15.6
Industrial machinery	7.9
Cereals	6.3
Fertilizers	6.0
Vehicles	4.5
Telecommunications equipment	4.5
Total incl others	100.0 (Rmb62.0 bn)

Main Trading Partners, 1984(8)	
	% of total
Exports to:	
Hong Kong	26.5
Japan	20.5
USA	9.3
Jordan	5.2
Singapore	5.0
West Germany	3.1
Total incl others	100.0
Imports from:	
Japan	31.3
USA	14.8
Hong Kong	11.0
West Germany	4.8
Canada	4.0
Australia	3.4
Total incl others	100.0

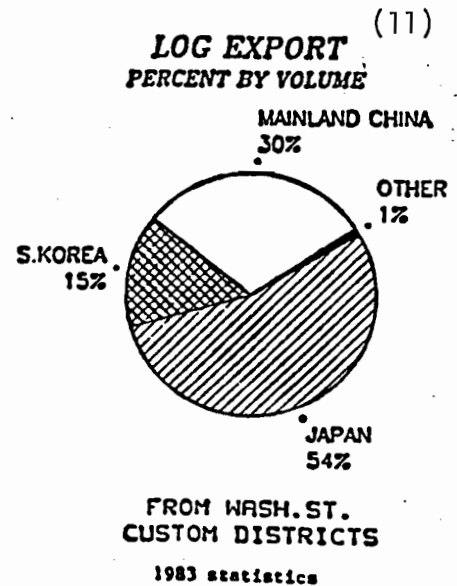
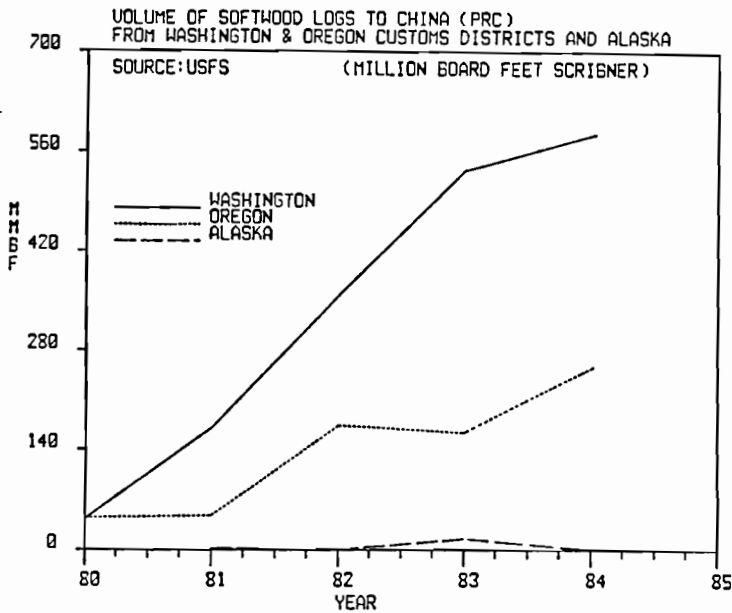
^a Imports based on cif values.
Source: China's Customs Statistics No. 1 (1985).

Source: China's Customs Statistics No. 1 (1985).

U.S. FOREST PRODUCTS EXPORTS TO CHINA (f.a.s. basis) (5)
(In thousands of dollars)

Country/Commodity	1982	1983
China		
SOFTWOOD LOGS	211,854	227,828
HARDWOOD LOGS	45	36
POLES, PILES & POSTS	--	10
SOFTWOOD LUMBER	4,986	6,457
HARDWOOD LUMBER	40	--
HARDWOOD FLOORING	--	7
SOFTWOOD SIDING	--	--
TREATED LUMBER, FLOORING, SIDING & MLDG	39	--
SOFTWOOD PLYWOOD	1	2
HARDWOOD PLYWOOD	1	--
HARDBOARD	29	1,338
PARTICLEBOARD	--	--
OTHER PANEL PRODUCTS	1	33
OTHER WOOD PRODUCTS	18	30
Total	217,014	235,740

(10)



STATISTICS AND OTHER INFORMATION (9)

- 1) China is currently consuming approximately 50 million m³ of wood annually, an estimated 45 million m³ of which is produced domestically and 5 million m³ imported.
- 2) Domestic log production is 50 percent softwood (mostly red pine) and 50 percent hardwood.
- 3) In 1983 China imported an estimated 400,000 m³ (169 million BF) of softwood lumber, 12 percent from the United States, 78 percent from Canada, and 10 percent from others.
- 4) According to those interviewed, China imports of wood this year and next will not grow. However, it seemed that the Chinese were trying to understate the potential.
- 5) China built 1.1 billion m² of housing last year, an estimated 11 million units (100 m² per unit). Available statistics indicate this is approximately 3-4 times housing production in 1979. Housing production is expected to at least continue at this level.
- 6) Wood usage averages .05m³ wood per m² of housing, ranging from .02m³ of wood per m² in the cities to .15m³ in rural areas.
- 7) Housing produced is approximately 10 percent high rise (over 3 stories) multifamily concentrated in major cities and 90 percent low rise singles, duplexes and town houses in primarily rural areas.
- 8) Average house size is 50-60 m² in the cities and 100-120 m² in the rural areas. The trend is to build larger units, particularly outside the cities by farmers whose income is increasing most rapidly.

In summary, important trends and factors which affect China's market potential for increased US exports of wood products, particularly lumber and plywood, appear to be as follows.

Favorable

- A rapidly expanding economy
- A strong construction market
- A commitment to housing
- A trend to larger, relatively more expensive home construction
- Domestic forest locations and distribution problems which tend to favor imports
- Receptivity of government to market development projects by the US industry/government
- The centralized nature of the economy which could make implementation of market development programs more effective

Unfavorable

- Construction practices and official mind set favoring brick, concrete, and steel
- Multipurpose nature--lumber, fibreboard, furniture, packaging--of many sawmills which makes logs the most practical raw material and which diffuses cost information making economic comparisons difficult
- Absence of good data and poor communication among government

3. HONG KONG

Market Profile -- HONG KONG⁽³⁾

Economic Overview

Hong Kong's economy continues its strong growth trend despite sluggish international economic conditions. Gross domestic product in real terms rose by 10.4 percent in 1981 and was projected to increase by 8 percent in 1982. The slight slowdown reflects recessions in Hong Kong's major export markets. Hong Kong is the world's third largest financial center. Its role as entrepot and service center is stimulated by China's modernization and growing foreign trade. Hong Kong's industries are mainly export oriented. Manufacturing industry remains the mainstay of the economy.

Major Developments

The United Kingdom's lease on the New Territories, which comprises 90 percent of Hong Kong's land area, will expire in 1997. Although increasing concern over Hong Kong's future has affected the economic climate and business confidence in Hong Kong, the economy is healthy and business goes on as usual. In September 1982, British Prime Minister Margaret Thatcher visited China to discuss the 1997 issue with Chinese leaders. She later visited Hong Kong and reiterated the United Kingdom's commitment to Hong Kong. The outcome of discussions on Hong Kong's future between China and the United Kingdom will have the most significant impact on the economy of Hong Kong.

Foreign Trade

Best U.S. Sales Prospects. Electronic components, electronic industry production and testing equipment, building supplies and equipment,

construction services, textile fabrics and machinery, consumer products, sophisticated business equipment, computers and peripheral equipment, hotel and restaurant equipment, material handling equipment, industrial safety equipment, grocery items, processed foods, and raw fruits and vegetables.

Major Suppliers, (1982). China (23 percent), Japan (22 percent), and United States (11 percent).

Principal Exports. Garments, electrical machinery, plastic toys and dolls, office machines and computers, watches and clocks, radio receivers, and textile yarns and fabrics.

Major Markets (1982). United States (38 percent), United Kingdom (8.9 percent), West Germany (8.0 percent), China (5 percent), and Japan (4 percent).

Reexports. Hong Kong has emerged as an important entrepot. Reexports contributed to 35 percent of Hong Kong's total exports in 1982. Major suppliers of reexports were: China (33 percent), Japan (20 percent), United States (11 percent) and Taiwan (6 percent). Major markets for Hong Kong's reexports in 1982 were: China (18 percent), United States (13 percent), Indonesia (10 percent), Singapore (8 percent), Japan (6 percent), and Taiwan (6 percent).

Finance

Currency. Hong Kong dollar floats independently according to market conditions. The exchange rate of Hong Kong dollar against the U.S. dollar was HK\$5.566=US\$1 Jan.-Dec. 1981, and HK\$6.070=US\$1 in Jan.-Dec. 1982.

Domestic Credit. External public debt in 1981 amounted to US\$46.1 million. Prime lending rate declined from 16 to 10.5 percent in 1982.

National Budget. Estimated FY83/84 total revenue US\$4.9 billion and total expenditure US\$5.4 billion, with a budget deficit forecast of US\$0.5 billion.

Balance of Payments. Balance of payments normally in surplus.

Foreign Investment

U.S. direct investment amounted to US\$2.7 billion at the end of 1981. Most foreign direct investment has come from the United States, Japan, and United Kingdom. Consistent with the Hong Kong Government's espoused free enterprise and free trade policy, investors are allowed maximum freedom in their operations.

Investment Prospects. Hong Kong welcomes foreign investments to diversify its industrial base and develop high-technology industries.

Import-Export Trade (millions of U.S. dollars)

	1980	1981	1982
Total imports (c.i.f.)	22,361.5	24,905.5	23,540.9
Imports from the U.S.	2,645.7	2,599.4	2,546.8
Total Exports (f.a.s.)	13,653.3	14,475.0	13,679.1
Exports to the U.S.	4,524.6	5,255.6	5,143.8
Total Reexports (f.a.s.)	6,022.8	7,512.4	7,306.9
Reexports to U.S. (f.a.s.)	617.8	751.3	925.0

Principal Imports from the U.S. in 1982
(millions of U.S. dollars)

	Value	Percent of Total
Electric machinery, apparatus	278.8	10.9
Office machines and computers	233.6	9.2
Fruits and vegetables	173.8	6.8
Gems	135.9	5.3
General industrial machinery	118.6	4.6
Plastic materials	103.7	4.1
Textiles, Fibers and waste	88.7	3.5

Basic Economic Facilities

Transportation. Efficient sea and air facilities. Well-managed harbor. Good air passenger and cargo facilities. Kowloon Canton railway and major roads are being modernized. The underground mass transit railway was open in 1980. The airport tunnel connects the cross-harbor tunnel to the airport and industrial area.

Communications. Excellent postal and telecommunications services. More than 37 telephones for every 100 people. Excellent information services.

Power. Electricity is generated at 50 hertz, 200 volts and distributed at 33 kilowatts, 11 kilowatts and 346 volts. Electricity consumption was 45,748 million megajoules in 1982. Gas consumption was 4,858 million megajoules in 1981.

Natural Resources

Land. Total area 404 square miles, mostly hilly terrain sloping to dense urban area around harbor.

Minerals. Iron ore, graphite, kaolin, feldspar, and quartz mined in small quantities.

Forestry. Thin and nutrient-deficient soil supports only a sparse cover of grass except in protected valleys or in water catchment areas where a policy of afforestation has succeeded in establishing hardy pines and some deciduous trees.

Population

Size. In 1982, 5.28 million.

Labor Force. 2,405,500 in 1982 with 876,800 in manufacturing.

Education. Free primary education and excellent facilities for secondary and higher education.

Language. English and Cantonese are used in government and commerce; English is widely acceptable.

(4)

PEOPLE: Population--5.3 million. Ethnic groups--Chinese (98 percent); English and others make up the balance. Languages--English and Chinese.

WEATHER: Subtropical with cool, dry winters and hot, humid summers.

GEOGRAPHY: 404 square miles on the southeast tip of mainland China. Most of the population lives in urban areas.

GOVERNMENT: Administered by the British; reverts to Chinese control in 1997.

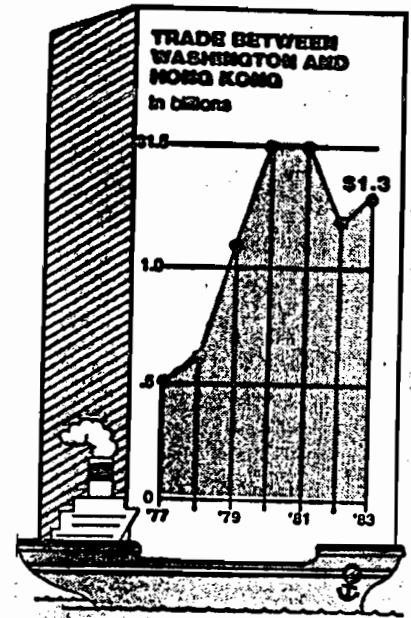
(4)

SEATTLE LINK: Hong Kong, with its large port, is Washington's fifth-largest trading partner (imports are mostly clothing and shoes). It also is a major tourist destination, with direct flights from Seattle.

Total trade with Washington state was \$1.3 billion in 1983, up from \$565 million in 1977.

- Clothing
- Telecommunications and sound equipment
- Children's toys and Christmas decorations
- Fruit
- Prepared and preserved vegetables

(4)



(12)

Exports	HK\$million		% change
	1980	1981	
Total	68,171	80,423	+18.0
<u>Major export markets</u>			
United States	22,592	29,200	+29.2
United Kingdom	6,791	7,710	+13.5
West Germany	7,384	7,048	-4.5
Japan	2,329	2,940	+26.2
China	1,605	2,924	+82.2
Australia	1,942	2,710	+39.6
Canada	1,782	2,355	+32.2
Singapore	1,791	1,732	-3.3
Netherlands	1,575	1,598	+1.4
France	1,408	1,483	+5.3
Switzerland	1,280	1,332	+4.1
Nigeria	1,025	1,282	+25.0
Saudi Arabia	962	1,226	+27.4
Sweden	974	1,013	+4.0

Main Exports, 1984 ⁽¹³⁾
(US\$ mn fob)

Clothing	5,989
Textiles & fabrics	1,089
Footwear	137
Radios, electronic components & parts	1,608
Metal manufactures	454
Watches & clocks	1,138
Others	7,273
Re-exports	10,706
Total	28,390

Main Origins of Imports, 1984 ⁽¹³⁾
(% of total)

China	24.9
Japan	23.5
USA	10.9
Taiwan	7.7
Singapore	5.5
UK	3.9
Others	23.6
Total	100.0 (US\$28,637 mn cif)

U.S. Forest Products Exports to Hong Kong (f.a.s. basis) (5)
(In thousands of dollars)

Country/Commodity	1982	1983
Hong Kong		
SOFTWOOD LOGS	9,872	9,002
HARDWOOD LOGS	21	--
POLES, PILES & POSTS	3	6
WOOD CHIPS	--	20
SOFTWOOD LUMBER	1,495	339
HARDWOOD LUMBER	274	411
SOFTWOOD FLOORING	--	--
HARDWOOD FLOORING	40	218
HARDWOOD SIDING	--	--
SOFTWOOD MOLDING	34	2
HARDWOOD MOLDING	25	96
TREATED LUMBER, FLOORING, SIDING, & MLDG	--	--
HARDWOOD VENEER	--	27
SOFTWOOD PLYWOOD	23	8
HARDWOOD PLYWOOD	5	--
HARDBOARD	18	--
PARTICLEBOARD	65	231
CELLULAR WOOD PANELS	5	47
GYPSUM & PLASTER BOARD	278	946
OTHER PANEL PRODUCTS	84	16
OTHER WOOD PRODUCTS	842	818
Total	13,084	4,180

HONG KONG

- Hong Kong is not presently a major importer of U.S. forest products. The total value of U.S. imports dropped by 2/3 from 1982 to 1983.
- The primary import, softwood logs, decreased 90% over this period as price competition from other sources became apparent.

4. INDONESIA

Market Profile -- INDONESIA⁽³⁾

Economic Overview

The world recession, the oil glut and OPEC production cutbacks have forced the Indonesian Government to reevaluate its goals for economic growth. Gross domestic product in 1981 was \$86 billion, which represents a real growth of 8 percent. Per capita income was \$480.

Major Developments

Various development products are at different stages of planning in Indonesia, including the 500 MW Cirata hydroelectric project in West Java, 39 diesel power plants of 5 and 6 MW at 12 different sites, an aromatics complex at Plaju in South Sumatra, an ammonia/urea complex in Kalimantan, a \$1 billion joint venture to build an olefins plant in Northern Sumatra, 2 large fossil fuel power generation complexes on Java, 18 new sugar mill plants and refurbishing of 27 existing mills, the Cilacap integrated kraft paper plant in Central Java, the \$700 million Sesayap pulp mill project, and construction of low cost prefabricated and modular housing.

Foreign Trade

Best U.S. Sales Prospects. Agricultural products, chemicals, machinery and transport equipment, machine tools, energy systems, medical equipment, telecommunications equipment and engineering and construction services.

Major Suppliers (1981). Japan (32 percent), United States (13 percent), and Singapore (17 percent).

Principal Exports. Petroleum, timber, rubber, LNG, coffee, tin, fish, species and palm products.

Major Markets (1981). Japan (46 percent), United States (20 percent), and Singapore (13 percent).

Finance

Currency. As of October 1982, US\$1-676 rupiahs.

Domestic Credit. Banking system consists of central bank (Bank of Indonesia); state, private and foreign banks; development banks and other financial institutions. Both domestic and international credit ratings are strong.

National Budget. Estimated FY 1981-82 national budget \$22.2 billion, of which \$12 billion for routine expenditures and \$10.2 for development expenditures. Domestic revenues \$19.6 billion, external development receipts \$2.6 billion.

Balance of Payments. Official foreign exchange reserves are \$6.7 billion, plus \$3.5 billion in reserves in commercial banks on which the current Government of Indonesia (GOI) can call: Balance of payments (current account) registered an estimated deficit of \$1.5 billion for FY 1981-82, compared with a slight surplus of \$887 million in FY 1980-81. The decline is attributed to large declines in non-oil export earnings, particularly in coffee, rubber, timber, and palm oil.

Foreign Investment

The GOI views foreign investment as a vehicle for strengthening domestic technological and management capabilities. The United States is the largest foreign investor in the large oil and gas sector. During the past 6 years, U.S. oil companies accounted for 90 percent of \$7 billion spent for oil and gas exploration and development in Indonesia. The largest foreign investor in Indonesia's non-oil sector is Japan, followed by Hong Kong, the Netherlands, and India. The value of approved applications in this sector increased 34 percent in 1981 from \$614 million in 1980 (\$99 million or 16.2 percent by U.S. firms); and the largest share of foreign capital went to chemicals (\$328 million), metal industry (\$143 million), and the forestry sector (\$140 million).

Basic Economic Facilities

Transportation. Marine transport services link the islands and form major trunk system. Roads and railways provide secondary system. Indonesia has an extensive port system of about 300 registered ports, a modest shipping fleet, and an Indonesian flag-carrying airline, the largest air carrier in a rapidly expanding air transport system.

Communications. Telecommunications facilities have improved substantially through domestic satellite system. Current communications projects include expansion of a satellite program, telex and telegram projects, and a project for telephone exchanges. Radio, television, postal, and express delivery services are all being expanded.

Power. Power capacity estimated at 3,909 megawatts (public 2,209 megawatts, industrial and private 1,700 megawatts). Hydroelectric, diesel, nuclear, and fossil fuel projects underway.

Import-Export Trade*
(millions of U.S. dollars)

	1979	1980	1981
Total imports (c.i.f.)	7,202.3	10,834.4	13,267.0
Imports from the U.S.	1,027.8	1,409.2	1,794.3
Manufactured goods	465.4	581.4	393.1
Agricultural goods	142.3	192.1	167.2
Other	420.1	635.7	123.4
Total Exports (f.o.b.)	15,590.1	21,908.9	22,260.3
Exports to the U.S.	3,170.2	4,303.3	4,083.1
Petroleum	2,540.2	3,570.1	3,517.2
Agricultural goods	569.1	667.2	451.2
Other	60.9	66.0	114.7

*Based on Indonesian data.

Principal Imports from the U.S. in 1981*
(millions of U.S. dollars)

	Value	Percent of Total
Grains	130.3	10
Cotton yarns, fibers	92.1	7
Elevators, winches	89.7	7
Oil-bearing vegetable materials	86.7	7
Synthetic resins	75.8	6
Fertilizers	55.2	4
Aircraft and space craft	53.4	4
Motor vehicles	52.1	4
Milled grains	49.2	4
Boilers, engines	44.8	4
Total	1,260.5	

*Based on U.S. data.

Natural Resources

Land. Indonesia's seven major island groups span 3,000 miles of equatorial South East Asia (782,700 square miles).

Minerals. Indonesia has considerable resources in oil and gas, tin, rubber, copper, timber, palm oil, and coffee. These resources, especially oil and gas, and the country's position between the Indian and Pacific Oceans, make our relations with Indonesia of strategic and economic significance.

Forestry. Timber is a major export. More than 60 percent of land is forested.

Population

Size. Indonesia has a population of 155 million (1981), of which over 60 percent is on Java. Annual growth reduced to 2 percent through family planning program.

Labor Force. 56 million (1979), of whom about 2 percent unemployed and 35-40 percent underemployed.

Education. Adult literacy rate about 62 percent; primary school enrollment 86 percent.

Language. Bahasa Indonesia, official. English second language, used in business circles.

BASIC COUNTRY DATA ⁽¹⁴⁾Land Area: 1,904,600 km²

Population: 150 million (mid-1981 estimate)

Population Centers- '000 (1971 census)

Jakarta	6,503
Surabaya	1,556
Bandung	1,202
Semarang	646
Medan	635
Palembang	583

Climate: Tropical

Languages: Bahasa Indonesia; many other languages and dialects

Currency: 1 Rupiah (Rp)=100 sen

Exchange rate (1983) 1 dollar U.S.=978 Rp (now freely fluctuating)

Main Origins of Gross Domestic Products, 1982 ⁽¹⁵⁾
(% of total at constant 1973 prices).

Agriculture, Forestry	29.8
Mining	7.6
Manufacturing	15.4
Construction	6.1
Transport & Communications	5.8
Trade, Finance, & other services	26.0
Public Administration & defense	9.3
Total	100.0

Source: Quarterly Economic Review of Indonesia
No. 2, 1984

Main Trading Partners (15)

(% of total trade)

Exports to:	1979	1983
Japan	46.1	45.8
USA	20.3	20.2
Singapore	12.6	14.8
Australia	1.6	2.2
Netherlands	2.6	1.4
West Germany	2.2	1.2
Philippines	1.1	1.1
UK	0.6	1.0
Hong Kong	0.6	0.9
Italy	1.4	0.6

Source: Central Bureau of Statistics.

Main Exports, 1984

(\$ mn)	
Crude oil & products	12,447
Natural gas	3,541
Wood & products	1,168
Rubber & products	954
Coffee	565
Textiles & garments	484
Tin & products	275
Tea	226
Aluminum	205
Shrimp	196
Electrical equipment	169
Total (incl others)	21,888

U.S. FOREST PRODUCTS EXPORTS TO INDONESIA (f.a.s. basis) (5)
(in thousands of dollars)

Country/Commodity	1982	1983
Indonesia		
POLES, PILES & POSTS	3	160
SOFTWOOD LUMBER	8	--
HARDWOOD FLOORING	--	--
TREATED LUMBER, FLOORING, SIDING & MLDG	23	3
SOFTWOOD VENEER	--	3
HARDWOOD PLYWOOD	--	--
PARTICLEBOARD	--	11
GYPSUM & PLASTER BOARD	--	56
OTHER PANEL PRODUCTS	23	45
OTHER WOOD PRODUCTS	125	224
Total	183	502

INDONESIA⁽¹⁴⁾

- Has largest existing supply of tropical hardwood logs in world but total log exports ban exists to encourage secondary products exports. Was #1 log exporter in world until 1984.
- Log export ban will increase U.S. softwood market potential abroad if previous hardwood log importers convert plant production to stable softwood supply.
- Currently largest hardwood plywood producer/exporter in world. In 1983 30% exported to U.S.A. and expected to be about the same by end of year in 1985.
- Given Indonesian extensive forest resources, and expansion of exports of plywood and processed products, the country is not expected to be a significant importer of wood products in the near future.
- PRC expected to surpass U.S. as #1 importer of Asian plywood by 1985.
- Presently U.S. products exports to Indonesia is negligible.

INDONESIA FOREST PRODUCTS PRODUCTION EXPORTS⁽¹⁶⁾

	<u>1984</u>	<u>1985</u>
Production:		
Logs (m ³)	22,551	27,000
Lumber (m ³)	8,723	9,700
Plywood (m ³)	3,820	4,500
Siding/Molding (MT)	8,919	12,000
Flooring (MT)	2,174	2,500
Hardboard, etc. (MT)	75,378	80,500
Exports:		
Logs (m ³)	1,732	0
Lumber (m ³)	1,445	2,000
Plywood (m ³)	3,020	3,400
Siding/Molding (MT)	8,919	12,000
Flooring (MT)	2,174	2,500
Hardboard, etc. (MT)	75,743	80,500

m³ = 1,000 Cubic Meters; MT = Metric Tons.

Indonesia maintains a policy of restricting exports of raw material (logs) and encouraging exports of processed products. While Indonesia remains the world's largest exporter of hardwood plywood, recent data indicates a move to enlarge the product mix, emphasizing growth in such products as siding and molding, hardboard, fiberboard and particleboard.

5. JAPAN

Market Profile -- JAPAN⁽³⁾Economic Overview

Real Japanese economic growth for both the calendar and fiscal year (April 1, 1983- March 30, 1984) should not exceed 3.0-3.5 percent. This percentage range is barely higher than the actual percentage for 1982, but it does represent the highest expected rate among the OECD countries. Inflation and unemployment should remain steady at about 3 percent and 2.5 percent, respectively. Most of the economic growth will occur in the latter half of the year, assuming accelerated personal consumption expenditures and expanded exports. Business investment--particularly by small and medium-size enterprises--housing, and public expenditures will continue to lag. Weak domestic demand is not likely to boost imports to any degree. Japan's global current account surplus will therefore probably top \$15 billion. The yen should continue to strengthen from 1982's average rate of 249 per dollar but the effect on U.S. exports may be delayed until the end of the year.

Major Developments

The U.S. and Japanese Governments in February 1983 accepted the recommendations of the U.S.-Japan Working Group on High Technology Industries with a view to improving the conditions for trade in such key sectors as computers, semiconductors, and telecommunications equipment.

The Government of Japan also announced in February 1983 that it will continue its unilateral export restraints on automobile shipments to the United States. The restraint level for the third year (April 1, 1983-March 31, 1984) is set at the same level as in the two previous fiscal years

(1.68 million units excepting certain shipments and about 1.8 million without the exceptions).

The Administration is considering proposals to lift the legislative ban on exports of Alaskan crude oil--a step which, it is said, could add \$3-\$4 billion (perhaps more realistically about \$1 billion) in U.S. exports to Japan.

Foreign Trade

Best U.S. Sales Prospects. Analytical instruments, computer hardware, electronic components, medical equipment, telecommunications equipment, sporting goods and recreation equipment, metalworking machinery, coal and pulp, paper and paperboard, fish, avionics, inorganic chemicals, and construction equipment.

Major Suppliers (1981). United States (17.7 percent), Indonesia (9.3 percent), EEC (6.0 percent), Australia (5.2 percent), and Canada (3.1 percent).

Principal Japanese Exports. Motor vehicles; iron and steel; radio and television receivers and tape recorders; scientific, medical, and optical equipment; and motorcycles.

Major Markets (1981). United States (25.4 percent), EEC (12.4 percent), Korea (3.7 percent), Taiwan (3.6 percent), Hong Kong (3.5 percent), and China (3.4 percent).

Note: Fastest growing U.S. exports in 1982 were petroleum products (up 213 percent to \$621 million), mining and oil and gas well-drilling machinery (up 51 percent to \$254 million), toys and sporting goods (up 37 percent to \$162 million), aircraft engines and parts (up 18 percent to \$177 million), metal manufactures (up 15 percent to \$174 million), and pharmaceuticals (up 14 percent to \$489 million).

U.S. exports to Japan (1982-U.S. data), \$20,966 million; U.S. imports from Japan, \$37,744 million; merchandise trade balance, \$16,778 million.

Import-Export Trade*
(millions of U.S. dollars)

	1980	1981	1982
Total imports (c.i.f.)	140,528	143,280	131,970
Imports from the U.S.	24,408	25,297	24,162
Raw materials and mineral fuels	93,752	92,598	84,513
Foodstuffs	14,666	15,913	14,604
Manufactures	32,110	34,779	32,853
Total Exports (f.o.b.)	129,807	152,030	138,831
Exports to the U.S.	31,367	38,609	36,341
Industrial Products	125,353	147,636	134,875
Foodstuffs	1,588	1,739	1,401
Other	3,166	2,655	2,555

*Based on Japanese data.

Principal Imports from the U.S. in 1982*
(millions of U.S. dollars)

	Value	Percent of Total
Agricultural Commodities	5,547	--
Corn	1,290	6.2
Soybeans	971	4.6
Wheat	564	2.7
Nonagricultural Commodities	15,118	--
Bituminous coal	1,525	7.3
Inorganic and organic chemicals	1,303	6.2
Logs and lumber	1,045	5.0
Aircraft and parts	906	4.3
Office machinery and computers	838	4.0
Electrical machinery and parts	618	2.9
Medical equipment and measuring and controlling instruments	549	2.6
Paper-base stocks	438	2.2

* Based on U.S. data.

Foreign Investment

U.S. value of direct investment, end 1981, was \$6.8 billion. Principal fields of U.S. investment are petroleum, trade, nonelectrical machinery, transportation equipment, electric and electronic equipment, and food products. A Treaty of Friendship, Commerce and Navigation and a Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion are in effect between the United States and Japan.

National Budget. FY 1983 (April 1983-March 1984) planned total expenditure of 50,379 billion yen (about \$202 billion at 1982 exchange rate) or 1.4 percent higher than FY 1982 budget. No growth in general expenditures; local finance, 20.4 percent; education and science, 0.9 percent; foreign aid, 7.0 percent; defense, 6 percent; energy, 6 percent; national debt ser-

vice, 4.6 percent; social security, 0.6 percent; and public works, no increase.

Balance of Payments. Calendar 1982, overall balance \$5 billion deficit, current balance \$6.9 billion surplus, trade balance \$18.2 billion surplus; calendar 1981, overall balance \$2.1 billion deficit, current balance \$4.8 billion surplus, trade balance \$20 billion surplus. Gold and foreign exchange reserves at year end 1982, \$23.3 billion, down \$5.1 billion from 1981.

Basic Economic Facilities

Transportation. Railroads are main domestic carriers. Merchant fleet is world's second largest. Transportation facilities well developed.

Communications. Government and private radio and television stations reach all areas. Telephone and telegraph systems are operated by public corporation (NTT).

Government policies on direct portfolio investment by nonresidents follow OECD patterns. In principal, 100 percent foreign capital allowed except for four industrial sectors: agriculture, forestry and fishing, mining (50 percent); petroleum; and leather and leather products.

Economy

Industrialized nation with the world's second largest market economy. Increasing emphasis on high-technology products and services.

GNP. CY 1981 \$1,128 billion, or about a 3 percent real increase over 1980. Per capita GNP \$9,560. Average annual real growth 1971-1981 4.8 percent.

Agriculture. Average farm size about 2.5 acres. Principal crops: rice, wheat, barley, vegetables, fruit and tea.

Industry. World's largest producer of motor vehicles, motorcycles, merchant vessels and consumer electronics; second in computers, electronic components (including semi-conductors), household electric appliances, crude steel, zinc; third in refined copper, synthetic rubber and newsprint.

Commerce. Average 1981 wholesale price index up 1.4 percent, consumer price index up 4.9 percent. Retail sales for 1981, \$318 billion.

Finance

Currency. Yen (Y); floating. Average exchange rate for 1982: 249 Y=US\$1.

Domestic Credit and Investment. Official discount rate was 5.50 percent in January 1983. Plant and equipment investment has been relatively flat.

Power. Electric power available throughout Japan, including active nuclear power facilities: 523 billion kilowatt hours generated in 1981 by public stations.

Natural Resources

Land. Four main islands, approximately 147,000 square miles (size of Montana). Mountainous, about 16 percent arable.

Climate. Similar to U.S. East Coast but more humid.

Minerals. Low-grade bituminous coal, iron pyrites, limestone, and sulfur. Domestic requirements, especially for oil, met through imports.

Forestry. Heavily forested but about two-thirds of log supply imported.

Fisheries. World's largest fishing industry in terms of value, variety of fish, and areas of operation. Important food source and export/import item.

Population

In 1981, 117.9 million; 0.7 percent annual increase. Capital: Tokyo, population 11.6 million. Principal cities: Osaka, 2.6 million; Yokohama, 2.8 million; Nagoya, 2.1 million; Kyoto, 1.5 million; Kobe, 1.4 million. About 76 percent urbanized.

PEOPLE: Population--118.7⁽⁴⁾ million. Ethnic groups--Bulk of 800,000 registered foreigners are Koreans. Language--Japanese.

WEATHER: Temperate; summers warm and humid.

GEOGRAPHY: Four main islands comprising a land area about the size of California. Much of the land is mountainous. Tokyo, the capital, has a population greater than 8 million.

GOVERNMENT: Parliamentary democracy with legislative power in the Diet.

SEATTLE LINK: Area's⁽⁴⁾ largest trading partner; two-way trade totals more than \$9 billion. Japanese trading companies have offices in Seattle. Seattle has a large Japanese-American community.

Total trade with Washington state was \$8.9 billion in 1983, up from \$3.9 billion in 1977.

- Motor vehicles and parts
- Telecommunications and sound equipment
- Office machines
- Electrical appliances
- Engines and engine parts

Principal Exports 1984⁽¹⁸⁾

	\$ mn
Machinery & equipment	119,809
of which:	
motor vehicles	29,821
tape recorders (incl VTR)	8,364
office equipment	7,554
vessels	7,353
scientific & optical equipment	6,160
Iron & steel products	13,852
Chemicals	7,626
Textiles	6,753
Total incl others	168,300

Main Destinations of Exports 1984

	% of total
USA	35.2
South Korea	4.2
China	4.2
West Germany	3.9
Hong Kong	3.9
Taiwan	3.5
Saudi Arabia	3.3

Principal Imports 1984⁽¹⁸⁾

	\$ mn
Petroleum	39,376
Foodstuffs	16,027
Machinery & equipment	12,066
Raw materials	10,469
Chemicals	8,346
Metal ores & scrap	6,572
Petroleum products	6,107
Coal	5,311
Total incl others	123,900

Main Origins of Imports 1984

	% of total
USA	19.7
Saudi Arabia	10.8
Indonesia	8.2
UAE	5.7
Australia	5.3
China	4.4
Malaysia	3.2
South Korea	3.1

U.S. Forest Product Exports to Japan (f.a.s. basis)

(In thousands of dollars)⁽⁵⁾

Country/Commodity	1982	1983
Japan		
SOFTWOOD LOGS	829,156	688,565
HARDWOOD LOGS	8,459	6,928
POLES, PILES & POSTS	843	427
WOOD CHIPS	206,783	156,945
SOFTWOOD LUMBER	194,662	183,053
HARDWOOD LUMBER	11,819	19,200
SOFTWOOD FLOORING	--	--
HARDWOOD FLOORING	1,006	1,266
SOFTWOOD SIDING	15	17
HARDWOOD SIDING	--	--
SOFTWOOD MOLDING	171	112
HARDWOOD MOLDING	2	1
TREATED LUMBER, FLOORING, SIDING & MLDG	133	298
HARDWOOD RAILROAD TIES	--	3
SOFTWOOD VENEER	1,941	2,357
HARDWOOD VENEER	667	685
SOFTWOOD PLYWOOD	2,171	1,775
HARDWOOD PLYWOOD	70	70
HARDBOARD	441	185
PARTICLEBOARD	1,018	562
CELLULAR WOOD PANELS	22	79
GYPSUM & PLASTER BOARD	142	31
OTHER PANEL PRODUCTS	266	389
OTHER WOOD PRODUCTS	17,589	16,579
Total	1,276,575	1,879,528

JAPAN

- Number one market for U.S. softwood logs but steadily declining since 1973 as demand declines. U.S. supplies 60% of Japan's softwood log imports.
- Japan housing starts are beginning to show an improvement consistent with improvement in the domestic economy. Housing starts rose to an annual rate of 1.26 million in the first quarter of 1985 which is a significant jump from 1.14-1.18 million starts of the previous four years. (19)
- Houses are not generally built using U.S. 2 x 4 components. 20,000, or less than 2%, were built in 1984. (20)
- WWPA, APA and NFPA are actively promoting U.S. 2 x 4 construction methods in Japan.
- Future increase in demand for wood is expected to be in pulpwood, pulpwood chips, pulp and softwood logs.

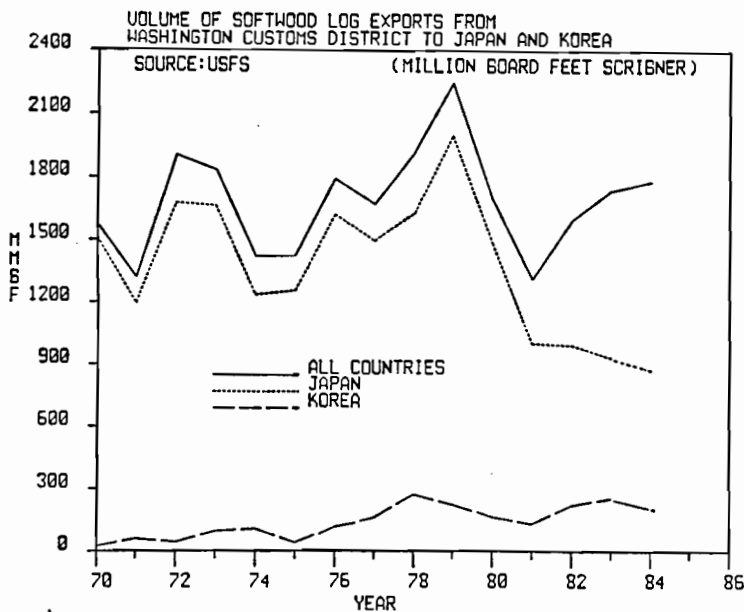
EXPORTS OF FOREST PRODUCTS SHIPPED THROUGH (11)
WASHINGTON STATE PORTS*
(Value of Products in Thousands of Current U.S. Dollars)

Product	1983		1984	
	To World	To Japan	To World	To Japan
Softwood Sawlogs (E 2471)	780,128	494,708	759,071	443,777
Standard Newsprint (E 7411)	139,977	91,050	130,175	90,247
Wood Pulp Sulphite (E 2518)	87,560	21,792	97,360	13,771
Wrapping Paper (E 6413)	85,499	40,331	82,505	40,529
Wood Pulp Sulphate (E 2517)	58,226	8,688	75,678	12,694
Chemical Dissolving Grades (E 2516)	62,691	25,976	66,056	30,869
Pulpwood (E 2460)	19,738	19,541	27,913	24,972
Hardwood Sawlogs (E 2472)	3,106	968	9,738	1,736
Plywood (E 6345)	6,331	1,157	5,440	495
Prefab Wood Buildings (E 6353)	4,204	3,039	4,594	3,851
Paper & Paperboard (E 6428)	2,385	524	3,008	1,068
Paper & Paperboard (E 6424)	981	534	1,999	1,047

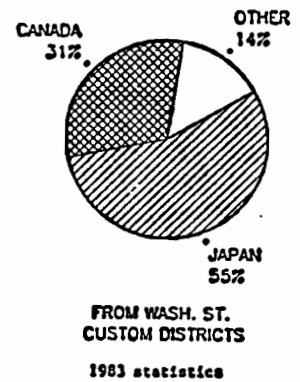
* Exports by vessel only.

Source: United States Bureau of the Census.

(10)



(11)
SOFTWOOD LUMBER EXPORT
PERCENT BY VOLUME



6. KOREA

Market Profile -- KOREA⁽³⁾

Economic Overview

Korea continues its slow recovery from the 1980 recession, with a projected 6.5 percent real GNP growth for 1982. IN 1981, real GNP grew 7.1 percent, led by a 23 percent increase in the agricultural sector. The Korean Government (ROKG) is continuing its policy of economic stabilization in 1982 by closely controlling the money supply, narrowing the current account deficit, and focusing on what is considered the primary goal--controlling inflation. The 1983 Korean Economic Management Plan is characterized by its focus on consolidation of price stability gained in 1982 and real growth of 7.5 percent.

Major Developments

Korea's Fifth Five-Year Development Plan contains a number of ambitious development projects, including several nuclear power plants, telecommunications expansion, Pusan subway, expansion of shipbuilding capacity, and sewage treatment facilities. Other transportation, industrial, and environmental projects are in various stages of planning. Korea, a major coal importer, is developing alternative energy resources.

Foregin Trade

Best U.S. Sales Prospects. Medical instruments and equipment, analytical and scientific instruments, energy conservation systems and equipment, electrical and nonelectrical machinery, industrial controls, construction equipment, telecommunications equipment, coal, chemicals, scrap metals, and logs.

Major Suppliers (1981). Japan (28 percent) and United States (21 percent).

Principal Exports. Textile products, metal products, electrical products, and footwear.

Major Markets (1981). United States (30 percent) and Japan (21 percent).

Finance

Currency. Korean won valued in June 1982 at 738.4 won = US\$1 under floating exchange rate system. Money supply (M2) for year end 1981, \$6,517 million; \$5,769 million in 1980.

Domestic Credit. An economic stimulus package was introduced in July 1982, which included measures to cut back interest rates and corporate taxes, a modest loosening of the money supply, and banking reforms. Prime rate was 10 percent at mid-year 1982, down from 13.5 percent at beginning of 1982.

National Budget. \$13.7 billion for 1982, up 19.1 percent over 1981. Defense 34.4 percent, education 20.8 percent, and economic development 17.6 percent of total 1982 budget.

Balance of Payments. The current account deficit narrowed from \$5.3 billion in 1980 to \$4.7 billion in 1981. Korea's external debt service ratio remains under 14 percent. Foreign exchange reserves at end of 1981: \$7.1 billion.

Foreign Investment

U.S. direct investment is estimated at \$460 million, the second largest book value of foreign investment in Korea. Major U.S. investments are in oil refineries, chemicals, automotive industry, electronic components, and textiles.

Investment Prospects. On September 25, 1981, Korea liberalized its regulations governing the entry of foreign investment. Korea seeks U.S. investment, with emphasis on technology and capital intensive projects and incentives for export-oriented industries.

Import-Export Trade^{*} (millions of U.S. dollars)

	1979	1980	1981
Total imports (c.i.f.)	20,339	22,292	26,131
Imports from the U.S.	4,603	4,890	6,044
Manufactured goods	11,563	9,914	11,671
Agricultural goods	1,654	1,992	2,925
Other	7,122	10,386	11,535
Total Exports (f.o.b.)	15,055	17,505	20,992
Exports to the U.S.	4,374	4,607	5,667
Manufactured goods	13,570	16,151	19,508
Agricultural goods	519	458	431
Other	966	896	1,053

* Based on Korean data.

Principal Imports from the U.S. in 1981*
(millions of U.S. dollars)

	Value	Percent of Total
Grains	1,091.5	21.8
Cotton yarns, fibers	489.6	9.8
Aircraft and space craft	396.6	7.9
Boilers, engines	234.3	4.7
Electrical machinery	230.6	4.6
Minerals	162.2	3.2
Papermaking products	129.3	2.6
Oil-bearing vegetable materials	126.2	2.5
Hides and skins	122.1	2.4
Iron and steel	115.5	2.3

* Based on U.S. data.

Basic Economic Facilities

Transportation. Modern highway network being completed. Domestic and international air service well developed. Significant coastal and foreign shipping.

Communications. Government and private radio and television stations reach most areas. Major cities serviced by international telegraph and telephone circuits. Telecommunications capabilities are being expanded in preparation for the 1988 Summer Olympics.

Power. Electricity production 36.4 billion kilowatt hours in 1981. Generating capacity presently meets demand. Active nuclear program underway.

Natural Resources

Land and Climate. About 38,000 square miles, mostly mountains. Climate similar to northeastern United States.

Minerals. Meager mineral resources include anthracite coal, tungsten, and some iron ore.

Forestry and Fisheries. Forest and fisheries resources are depleted.

Population

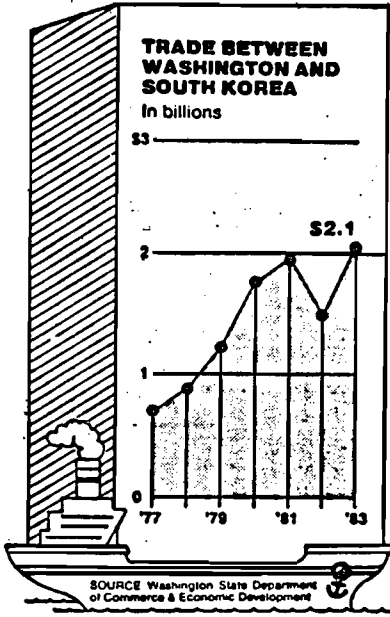
Size. Estimated 41.1 million in 1982, with annual growth rate of 1.6 percent. Capital city, Seoul, 8.1 million.

Labor. Korean labor force estimated at 15.4 million.

Education. Literacy rate over 90 percent. Compulsory attendance through 6 years.

Language. Korean, English. English is used widely in business circles and is also taught in Korean high schools.

(4)



(4)

PEOPLE: Population--39.3 million. Ethnic groups--largely homogeneous with few foreigners. U.S. maintains a military force in the country. Languages--Korean, English.

WEATHER: Temperate

GEOGRAPHY: 38,000 square miles on a peninsula. It is separated from North Korea at the 38th parallel, called the demilitarized zone. Seoul, the capital, has about 8 million residents.

(4)

GOVERNMENT: Republic, although present leaders came to power in a military coup in 1981.

SEATTLE LINK: One of rim's fastest growing economies; state's fourth-largest trading partner. Korean companies have offices in Seattle, and there is a strong Korean community in the city.

Total trade with Washington state was \$2.1 billion in 1983, up from \$735 million in 1977.

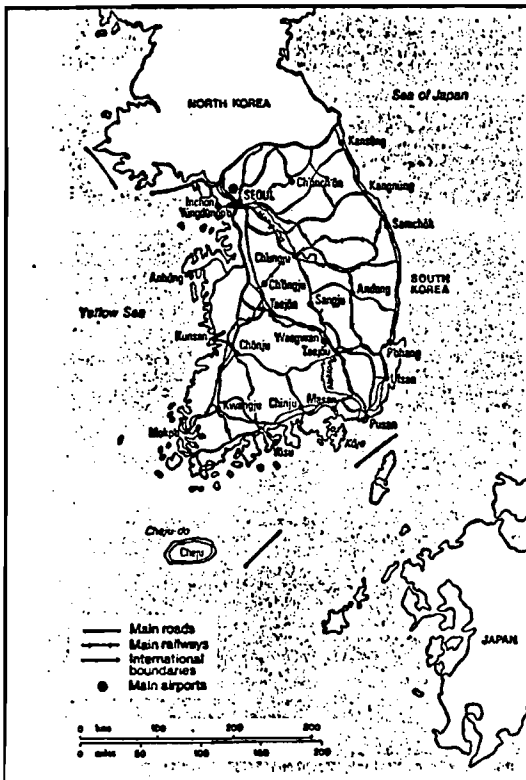
- Shoes
- Clothing
- Telecommunications and sound equipment
- Travel goods (suitcases and bags)
- Toys and Christmas decorations

Composition of Foreign Trade⁽²¹⁾

(\$ mn)	1981	1982	1983	1984
Manufactured goods	2,775.3	2,610.4	2,997.7	3,761.9
of which				
textile yarn & thread	166.8	187.2	157.8	191.0
woven textile fabrics	212.8	198.8	210.8	258.7
iron & steel ingots	380.5	200.2	347.8	484.0
Machinery & transport equipment	5,999.5	6,008.5	7,548.2	9,796.6
of which				
power generating machinery	563.7	495.2	487.7	627.7
office machines	179.0	247.9	353.4	388.4
metal working machinery	258.5	121.0	173.7	175.2
textile machinery	186.1	211.3	189.4	221.3
electric power machinery	438.3	486.0	523.3	643.8
telecommunications equipment	461.9	514.4	584.0	523.0
transistors	611.6	637.9	922.6	1,295.4
aircraft	419.7	71.1	138.1	295.2
ships, etc.	873.0	1,119.2	1,797.9	2,704.2
Professional & scientific instruments	395.7	391.8	462.3	527.0
Total (including others)	26,131.4	24,250.8	26,192.2	30,631.4

Source: Bank of Korea, Monthly Economic Statistics.

South Korea (21)



Main Trading Partners

Exports to:		Imports from:		
	1983	1984		
USA	33.7	35.8	Japan	23.8
Japan	13.9	15.7	USA	24.0
Hong Kong	3.3	4.4	Saudi Arabia	7.7
Saudi Arabia	5.9	3.4	Australia	3.7
UK	4.1	3.3	Malaysia	3.0
West Germany	3.2	3.2	West Germany	2.5
Canada	2.6	3.0	Indonesia	1.5
Panama	0.9	1.8	Canada	1.7
Singapore	2.2	1.7	UK	1.8

Source: Bank of Korea, Monthly Economic Statistics.

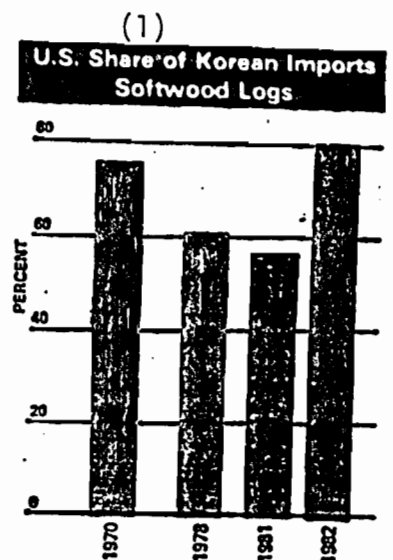
KOREA (22)

- Import of processed and semi-processed wood products (veneer, lumber, particleboard) have risen 5 fold over the last 6 years but still account for only 15% of import value of forest products.
- U.S. exports to Korea (softwood logs and lumber, hardwood logs and lumber and particleboard) are facing strong price competition from other suppliers: Chile and new Zealand for softwood logs and lumber; Southeast Asia for furniture and decorative woods; many competitors for particleboard.
- House construction in 1984 estimated at 222,000 units, 6,000 less than 1983.
- Wood products used mainly for interior decorative work and temporary supports for construction purposes. Softwood lumber (Douglas Fir) is beginning to be used for joinery. Cedar is highly prized for paneling.
- Main consumption growth markets--furniture and musical instruments.
- 20% duty on all hardwood and softwood lumber imports.
- 30% tariff on plywood has discouraged import.
- U.S. plywood exports minimal (only 50,000 square feet in 1984).
- U.S. is major supplier of softwood logs--23% in 1983 and 1984.

U.S. Forest Products Exports To Korea (5)

(In thousands of dollars)

Country/Commodity	1982	1983
Korea, South		
SOFTWOOD LOGS	84,882	94,872
HARDWOOD LOGS	1,799	1,925
POLES, PILES& POSTS	190	--
WOOD CHIPS	--	--
SOFTWOOD LUMBER	3,833	5,741
HARDWOOD LUMBER	2,569	1,811
SOFTWOOD FLOORING	--	2
HARDWOOD FLOORING	93	3
SOFTWOOD HOLDING	--	251
HARDWOOD HOLDING	10	--
TREATED LUMBER, FLOORING, SIDING & MLDG	--	--
SOFTWOOD VENEER	137	--
HARDWOOD VENEER	1,668	3,209
SOFTWOOD PLYWOOD	70	102
HARDWOOD PLYWOOD	19	91
HARDBOARD	--	91
PARTICLEBOARD	443	2,149
CELLULAR WOOD PANELS	--	86
GYPSUM & PLASTER BOARD	368	758
OTHER PANEL PRODUCTS	121	651
OTHER WOOD PRODUCTS	2,566	2,628
Total	98,768	114,367



7. MALAYSIA

Market Profile -- MALAYSIA⁽³⁾Economic Overview

The world recession has slashed foreign demand for Malaysian exports and has resulted in slower economic growth. Despite the lack of encouraging news relating to the international economy so important to Malaysia's growth, the country maintains its attractiveness as a trade and investment partner. On the negative side, real growth during 1982 may drop as low as 3.5 percent, and the country will experience what for it is a most uncharacteristic situation, with its trade account moving sharply into deficit. On the positive side, inflation has abated considerably, and despite substantial foreign borrowing, the debt-service ratio should not top 4.6 percent this year. The United States is a leading source of foreign investment in Malaysia, with total investment of about \$2 billion, and supplies 14.5 percent of imports.

Major Developments

The weak foreign trade picture mirrored a weakening in the Government's financial position. In May 1982, Prime Minister Mahathir announced that the Government would abandon its policy of countercyclical spending and tighten its belt in response to continuing slackness in the world economy. Although this means that some development projects will be postponed or cancelled, for most companies interested in competing for large projects the main impact will be a need to concentrate on price competitiveness.

Foreign Trade

Best U.S. Sales Prospects. Transportation equipment, telecommunication equipment, petroleum production and refinery equipment, power generation and distribution equipment, building and construction supplies and equipment, timber processing equipment, pulp and paper equipment, medical equipment, computers, pumps, valves, and compressors.

Major Suppliers (1975). Japan (23.3 percent), United States (15 percent), EEC (17.5 percent).

Principal Exports. Petroleum and petroleum products, electrical and electronic goods, rubber, sawn logs and timber, palm oil, and tin.

Major Markets (1979). Japan (22 percent), United States (19 percent), EEC (18 percent), and Singapore (17 percent).

Finance

Currency. The value of the Malaysian dollar, or ringgit, is determined on the basis of its relationship to a weighted basket of currency of Malaysia's major trading partners. Currently US\$1=M\$2.3.

Domestic Credit. Malaysia has a well-developed, sophisticated banking system that provides an important source of capital for commercial and industrial development. In 1981, the commercial prime rate ranged from 8.5 to 9.5 percent.

National Budget. Reflecting an uncertain economic picture for 1983, the Government has proposed a "no-frills" budget for the year. Allocations are

over \$100 million less than estimated expenditures for 1982 and represent a substantial decline in real terms across the board.

Balance of Payments. At the end of 1981, foreign reserves stood at US\$4.37 billion.

Foreign Investment

The United States is a leading source of foreign investment in Malaysia, along with Japan, Singapore, the United Kingdom, the Netherlands, and Hong Kong. U.S. investment in Malaysia was estimated at \$2 billion at mid-year 1982. This was concentrated in petroleum production and distribution, manufacturing (including 19 plants assembling electronic components), banking, trading companies, and insurance.

Import-Export Trade^{*} (millions of U.S. dollars)

	1979	1980	1981
Total imports (c.i.f.)	7,468	10,413	12,447
Imports from the U.S.	1,115	1,527	1,804
Total Exports (f.o.b.)	10,530	12,476	12,390
Exports to the U.S.	1,819	2,048	1,790

^{*} Based on Malaysian data.

Principal Imports from the U.S. in 1981*
(millions of U.S. dollars)

	Value	Percent of Total
Electrical machinery	726.9	50
Aircraft and space craft	100.5	7
Elevators, winches	51.3	4
Boilers, engines	48.8	3
General machinery	47.1	3
Tobacco	45.2	3
Motor vehicles	28.5	2
Oil-bearing vegetable materials	25.1	2
Synthetic resins	23.4	2
Electrical machinery	21.8	1

* Based on U.S. data.

Investment Prospects. Malaysia maintains a liberal investment code, with easy profit repatriation, accelerated depreciation, and possible tariff protection. Additional incentives for new foreign investment that contribute to national development are available. OPIC insurance also is available to qualified U.S. investors.

Basic Economic Facilities

Transportation. Peninsular Malaysia is relatively well linked by sea, air, rail, and road. Key cities in Sabah and Sarawak accessible by sea and air.

Communications. Telephone, telegraph, and postal facilities, including overseas, well developed. Satellite earth station operational. Radio and television in common use.

Power. Electricity capacity in Peninsular Malaysia (1979), 1,778 megawatts. Further expansion underway.

Natural Resources

Land. Combined total about 128,000 square miles. Much of land area is primary forest containing a variety of flowering plants and immense but diminishing timber reserves. Production important to economy.

Climate. Tropical. Average year-round maximum and minimum daily temperatures are 32°C (90°F) and 24°C (75°F). Annual rainfall ranges from 60 to 200 inches.

Minerals. Tin, copper, petroleum, natural gas, bauxite, manganese, and iron ore.

Population

Size and Composition. 13.3 million (1979), annual growth about 2.7 percent. Percentage Malay (50), Chinese (36), and Indian (10).

Religion. Muslim, Hindu, Buddhist, and Christian.

Language. Malay replaced English as sole official language September 1967. English used in government and business circles. Chinese also used.

Labor Force. Labor force (1979) nearly 5 million, about 42 percent agriculture, about 32 percent industry and commerce, about 12 percent services, about 14 percent government; unemployment 6.1 percent.

Education. Literacy rates about 25 percent in East Malaysia and over 60 percent in Peninsular Malaysia. Facilities include national university and technical colleges.

Major exports ⁽²³⁾ by products	M\$million		
	1979	1980	1981
Rubber	4,482	4,617	4,131
Palm oil	2,471	2,603	2,880
Saw logs	2,877	2,622	2,325
Sawn timber	1,336	1,352	1,013
Tin and tin-in-concentrates	2,316	2,506	2,248
Crude and partly refined petroleum	4,210	6,687	6,738
Exports of manufactured goods	4,545	5,839	6,184

Major export destinations	M\$million		
	1979	1980	1981
Japan	5,668	6,448	6,108
USA	4,183	4,609	4,035
Singapore	4,226	5,394	6,164
West Germany and Netherlands	2,243	2,709	2,550
United Kingdom	943	779	757
Australia	424	403	420

Major imports by products	M\$million		
	1979	1980	1981
Food	2,053	2,450	2,723
Beverages and tobacco	185	221	282
Crude materials (inedible)	842	1,047	1,165
Mineral fuels, lubricants, etc.	2,064	2,538	4,600
Animal and vegetable oils and fats	30	31	31
Chemicals	1,773	2,035	2,175
Manufactured goods	2,956	3,910	4,675
Machinery and transport equipment	6,328	9,081	10,803
Miscellaneous manufactured articles	794	1,002	1,105

Major import sources	M\$million		
	1979	1980	1981
Japan	3,840	5,373	6,534
USA	2,565	3,557	4,059
Singapore	1,580	2,750	3,698
West Germany and Netherlands	1,152	1,417	1,696
United Kingdom	1,096	1,274	1,390
Australia	1,039	1,290	1,557

MALAYSIA

- With the current total ban on Indonesian log exports, Malaysia has assumed the role of being the number one tropical hardwood log exporter.
- Future Malaysian log exports are not considered stable as the country may follow Indonesia's lead in capturing value added from secondary processing and manufacturing.
- In value terms in 1982, Malaysia's main sawn timber export markets were the Netherlands followed by Singapore.
- Log exports to all major markets declined in 1984. Major markets for Malaysian hardwood logs included Japan (59%), Taiwan (18%), and South Korea (15%) followed by China and Hong Kong with 3% each. The pattern of market share has remained constant in recent years. (24)
- Current Fourth National Economic plan calls for construction of 920,000 units. Use of new product Cemboard is promising using 70% wood and 30% cement and is currently manufactured using Malaysian raw materials (25)

U.S. EXPORTS TO MALAYSIA (f.a.s. basis)⁽⁵⁾

(In thousands of dollars)

Country/Commodity	1982	1983
Malaysia		
WOOD CHIPS	--	3
SOFTWOOD LUMBER	16	--
HARDWOOD LUMBER	--	--
HARDWOOD FLOORING	--	--
HARDWOOD MOLDING	10	1
SOFTWOOD VENEER	--	--
HARDWOOD VENEER	178	109
HARDBOARD	5	--
PARTICLEBOARD	--	--
GYPSUM & PLASTER BOARD	305	209
OTHER PANEL PRODUCTS	--	82
OTHER WOOD PRODUCTS	55	28
Total	<u>568</u>	<u>432</u>

Malaysian Exports of Tropical Forest Products⁽¹⁶⁾
(1,000 Cubic Meters)

	1971 ^{1/}	1981 ^{1/}	1982 ^{2/}	1983 ^{2/}	1984 ^{2/}	1985 ^{3/}
Tropical Hardwood Logs	11,147	15,816	19,288	18,771	16,665	15,500
Tropical Hardwood Lumber	1,308	2,614	2,847	3,360	3,413	2,816
Tropical Hardwood Veneer	110	263	324	554	556	575
Tropical Hardwood Plywood	191	469	468	550	371	300
Hardwood Siding & Molding	n.a.	202	180	194	263	300

^{1/} UN/FAO Data

^{2/} Agricultural Attache Reports

^{3/} Preliminary

MALAYSIA - EXPORTS OF SAW LOGS BY DESTINATION⁽²⁴⁾

	1981		1982	
	1000 m ³	Mil.M\$	1000 m ³	Mil.M\$
China	352.8	38.6	630.6	95.4
Hong Kong	587.0	46.1	719.9	83.1
Japan	8,610.9	1,483.7	11,169.5	2,124.5
Korea, Rep. of	2,978.1	515.5	3,222.7	580.3
Singapore	302.6	34.3	271.4	28.4
Taiwan	2,841.0	334.2	3,104.8	438.5
Others	143.7	21.0	169.2	27.8
Total	15,816.1	2,473.4	19,288.0	3,377.9

Source: Department of Statistics, Kuala Lumpur

MALAYSIA - EXPORTS OF SAWN TIMBER BY DESTINATION⁽²⁴⁾

	1981		1982	
	1000 m ³	Mil.M\$	1000 m ³	Mil.M\$
Australia	123,154	60.7	101,038	45.5
Bahrain	17,565	5.1	13,482	4.0
Belgium	80,915	44.8	106,023	60.5
Denmark	15,773	7.6	11,830	6.4
France	67,439	32.8	70,683	34.3
Germany, Rep. of	82,499	46.8	85,298	52.1
Iraq	4,192	1.4	3,366	0.8
Italy	31,696	17.5	63,117	31.4
Japan	83,029	34.2	140,432	59.1
Malagasy Rep.	34,193	13.0	31,650	10.4
Netherlands	430,091	243.0	431,921	240.6
Oman	33,106	9.2	31,518	7.3
Saudi Arabia	102,923	28.6	149,223	39.1
Singapore	891,518	208.9	954,227	213.1
Spain	4,306	2.1	2,540	1.4
Thailand	228,319	56.2	219,329	55.4
USA	53,981	20.8	31,083	13.1
United Aran Emirates	54,815	13.6	51,793	12.9
United Kingdom	119,066	49.5	105,383	46.7
Yemen Arab Rep.	49,432	13.6	140,768	40.2
Yemen	63,659	10.5	9,294	2.4
Others	126,689	42.0	180,409	58.5
Total	2,698,360	970.7	2,942,407	1,035.0

Source: Department of Statistics, Kuala Lumpur

Market Profile -- NEW ZEALAND⁽³⁾

Economic Overview

The short-term outlook for New Zealand is not particularly bright. The most basic of New Zealand's industries, agriculture, has been hit by escalating costs and drought; manufacturers are expecting a decline in demand; consumer and investor confidence is weakening and more labor unrest is probable. Inflation is expected to remain high, and the slowdown in real growth has unhappy implications for employment. For the somewhat longer term, however, New Zealand's economic situation seems more promising. As major energy projects are completed, world demand for New Zealand's food, forest, and other primary based products should also pick up. Given good economic management and a reasonable international economic environment, New Zealand should do better than many countries in the years ahead.

Major Developments

The New Zealand Government has moved to implement its "think big" development strategy, which calls for economic development through a series of major projects. Among these are construction of the world's first natural gas-to-gasoline plant using a catalytic process developed by Mobile Oil Company and the natural gas from New Zealand's extensive Maui gasfield. In addition to several natural gas-based resource projects, the Government has approved an expansion of New Zealand's only oil refinery at Marsden point near Whangerei. And the long-projected expansion of New Zealand Steel's Glenbrook plant, which produces steel from New Zealand's iron sand deposits

has been approved and is currently undergoing preliminary engineering studies.

Foreign Trade

Best U.S. Sales Prospects. Computers and accessories, equipment of industries based on natural gas, on forest products, and on food processing.

Major Suppliers (1981). Australia (14 percent), Japan (13 percent), United Kingdom (13 percent), and United States (13.5 percent).

Principal Exports. Meat, dairy products, wool, and forest products.

Major Markets (1981). Australia (19 percent), United States (18 percent), Japan (15 percent), and United Kingdom (10 percent).

Finance

Currency. New Zealand dollar worth US\$.72 in Dec. 1982.

Domestic Credit. Banking systems and stock exchanges are well established. Commercial bank prime rate averaged 12.75 percent in 1981.

National Budget. Public account expenditures and public debt totaled \$11.6 billion in year ending March 1981.

Balance of Payments. Official overseas reserves were \$695 million in March 1981. Balance-of-payments (current account) deficit was estimated at \$770 million that month.

Foreign Investment

Bilateral economic aid commitments (1970-79), \$400 million

Basic Economic Facilities

Transportation. More than 58,000 miles of road and over 3,000 miles of railroad track provide good internal transportation service. All major cities and towns linked by air services, 1.32 million licensed automobiles in June 1980, 19 deep-water ports.

Import-Export Trade^{*}
(millions of U.S. dollars)

	1979	1980	1981
Total imports (c.i.f.)	3,917	5,017	5,090
Imports from the U.S.	499	630	833
Manufactured goods	2,249	2,672	2,676
Agricultural goods	190	239	220
Other	1,206	1,753	1,824
Total Exports (f.o.b.)	4,148	4,997	5,125
Exports to the U.S.	645	700	673
Manufactured goods	763	930	990
Agricultural goods	1,902	2,205	2,437
Other	1,483	1,862	1,698

* Based on New Zealand data.

Principal Imports from the U.S. in 1981^{*}
(millions of U.S. dollars)

	Value	Percent of Total
Computers	39.8	56.5
Instrumentation	26.9	43
Medical instruments	7.0	41
Printing and graphic arts equipment	9.1	50
Food processing machinery	2.4	25
Pulp and paper machinery	5.2	24

* Based on U.S. data.

Communications. 1,321 post offices, 569 telephones per 1,000 population, sophisticated overseas network including cable, satellite and radio connections. There are 59 medium wave and two short wave radio stations and more than 885,000 television receivers.

Power. Distribution systems are well developed. Electricity reaches 99.5 percent of the population at 230 volts, 50 cycles, a.c.

Natural Resources

Land. 104,000 square miles, principally two elongated islands extending 1,000 miles. A land of infinite variety, much of which is mountainous.

Climate. Most of the country is in the temperate zone.

Minerals. Iron sands from the base of a growing iron and steel industry. Substantial quantities of offshore natural gas are being exploited and provide a base for a variety of industries, including petrochemical, synfuels, and LPG.

Forestry. Presently accounts for 8 percent of total export earnings, but there are substantial resources.

Fisheries. Presently contributes only 3 percent of export earnings, but the industry has great potential.

Population

Size. 3.20 million (as of Dec. 1981), an increase 0.010 percent from the previous year. Population is highly urbanized.

Major cities: Wellington (capital), 100,000; Auckland, 200,000; Christchurch, 200,000; and Dunedin, 100,000.

Education. Free and compulsory for all children between the ages of 6 and 15 years. Free university education available based on scholastic achievement in secondary school.

Labor Force. 1.3 million in April 1981, 34.2 percent female. About 3.8 percent registered unemployed in Dec. 1980.

Religion. Protestant 63 percent, Catholic 16 percent, Hebrew 0.1 percent, Hindu 0.2 percent, Buddhist 0.1 percent, other 1.1 percent at time of last count (1976).

Language. English.

Main Commodities Traded⁽²⁶⁾

(NZ\$ mn; years ending June 30)

	1980	1981	1982	1983	1984
<u>Exports f.o.b.</u>					
Meat	1,183.6	1,510.0	1,551.6	1,855.4	1,705.0
Wool	980.8	892.6	918.8	1,017.1	1,113.0
Dairy produce ^a	685.9	850.9	1,146.4	1,287.5	1,214.0
Forest products	440.3	526.1	543.0	495.1	533.0
Aluminum	162.8	217.9	206.5	296.1	467.0
Fruit & vegetables	128.7	170.0	215.1	261.6	405.0
Fish ^b	62.2	100.8	111.6	146.2	190.0
Total, incl other	5,152.0	6,056.0	6,940.0	7,935.0	8,624.0
<u>Imports v.f.d.</u>					
Machinery & transport equipment	1,434.6	1,821.5	2,191.6	2,215.3	2,732.0
Fuels, lubricants, etc.	944.2	1,247.7	1,285.0	1,343.7	1,215.0
Chemicals	603.3	611.9	823.3	733.4	958.0
Food, drink & tobacco	246.9	260.7	415.9	368.0	446.0
Total, incl other	4,810.0	5,587.0	7,045.0	6,928.0	8,198.0

^a Excludes casein and lactose. ^b Excludes rock lobster.

Source: Monthly Abstract of Statistics.

Main Trading Partners⁽²⁶⁾

(% of total value; years ending June 30)

Exports to:	1982	1983	1984	Imports from:	1982	1983	1984
USA	13	15	13	Australia	20	20	20
Japan	13	15	15	USA	17	17	15
UK	14	13	10	Japan	17	17	21
Australia	15	12	15	UK	9	9	9
West Germany	2	2	2	West Germany	4	4	4
Canada	2	2	2	Canada	2	2	2
France	2	2	2	Other EC	5	4	7
Other EC	5	5	5	Asia, incl China	14	16	13
USSR	5	4	3				
Middle East	4	7	7				
Asia, incl China	14	14	14				

Source: Monthly Abstract of Statistics.

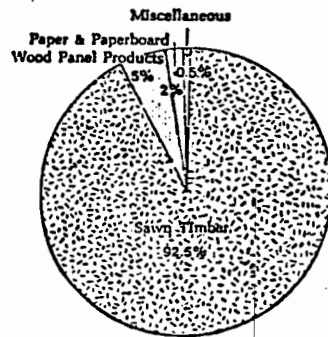
(5)
 U.S. Forest Product Exports To New Zealand (f.a.s. basis)
 (In thousands of dollars)

Country/Commodity	1982	1983
New Zealand		
SOFTWOOD LOGS	1	--
WOOD CHIPS	--	3
SOFTWOOD LUMBER	978	706
HARDWOOD LUMBER	37	95
HARDWOOD FLOORING	--	--
SOFTWOOD SIDING	11	14
SOFTWOOD MOLDING	--	--
HARDWOOD VENEER	--	--
SOFTWOOD PLYWOOD	--	--
HARDWOOD PLYWOOD	4	--
HARDBOARD	--	--
PARTICLEBOARD	--	--
CELLULAR WOOD PANELS	27	--
GYPSUM & PLASTER BOARD	--	3
OTHER PANEL PRODUCTS	9	202
OTHER WOOD PRODUCTS	724	567
Total	1,791	1,589

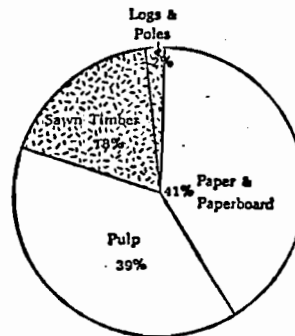
NEW ZEALAND

- New Zealand will become a competitor in the "construction grade" log export market as its extensive plantations of radiata pine enter trade channels by 1995. (27)
- New Zealand currently contributes about 5 percent of the construction grade softwood logs that move among Pacific Rim countries. (27)
- Exports of wood products are estimated to contribute over 14% of New Zealand's exports by the latter half of the 1990's (27)
- Major disadvantage in overseas markets beyond Pacific Rim is its remote position which adds substantial freight costs. The country therefore will have to be cost effective which implies highly automated plants to offset labor costs. (28)

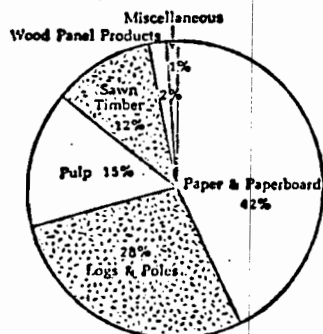
EXPORTS OF FOREST PRODUCTS. (28)



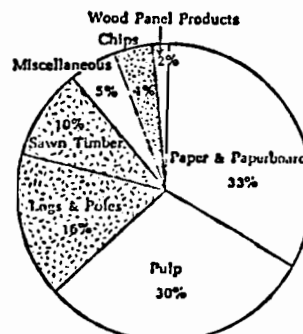
1948: TOTAL VALUE \$1,108,000
 1% of total N.Z. Exports



1958: TOTAL VALUE \$14,158,000
 3% of total N.Z. Exports



1968: TOTAL VALUE \$41,247,000



1978: TOTAL VALUE \$231,746,000

EXPORTS OF FOREST PRODUCTS FROM NEW ZEALAND BY MAJOR COUNTRIES (28)
OF DESTINATION--VALUE

							Thousand dollars	
Year Ended June	Logs and Poles	Sawn Timber	Wood Pulp	Paper and Paper- board	Miscel- laneous Forest Products	Total Forest Products	Forest Products as Per- centage of Total Exports	
1	2	3	4	5	6	7	8	
Australia								
1967	---	23	1,748	5,114	10,293	261	17,439	50
1968	---	10	2,998	4,998	15,904	642	24,552	43
1969	---	118	5,226	5,589	16,303	1,507	28,743	38
1970	---	14	5,556	6,252	16,390	1,788	30,000	34
1971	---	---	4,815	7,720	15,513	1,975	30,023	31
1972	---	1	4,662	8,387	18,374	2,152	33,576	30
1973	---	12	5,029	9,560	17,938	2,310	34,849	27
1974	---	---	6,469	12,862	22,574	3,084	44,989	26
1975	---	---	4,485	19,358	26,810	2,885	53,538	29
1976	---	4	7,113	24,424	42,822	4,717	79,080	33
1977	---	75	9,580	29,558	59,286	6,616	105,115	29
1978	---	28	9,721	30,123	46,781	8,960	95,613	23
1979	---	112	14,533	33,564	47,059	16,132	111,399	22
1980*	---	170	26,578	46,624	62,971	26,514	162,857	26
Japan								
1967	---	4,856	2	522	9	---	5,389	8
1968	---	10,863	1,275	703	714	---	13,555	20
1969	---	18,638	2,239	561	263	43	21,944	25
1970	---	23,350	2,005	106	15	583	26,359	25
1971	---	25,531	2,519	291	1	1,593	29,935	29
1972	---	29,447	2,715	138	19	2,493	34,812	27
1973	---	32,706	3,202	1,198	40	3,722	40,868	18
1974	---	33,430	5,174	6,680	2	3,487	48,773	20
1975	---	17,531	3,942	14,858	107	5,652	42,090	23
1976	---	18,073	4,295	18,099	69	6,686	47,222	17
1977	---	27,611	7,320	26,286	259	8,214	69,690	18
1978	---	32,732	11,701	28,952	286	9,446	83,117	19
1979	---	34,991	17,664	30,385	960	10,860	94,861	16
1980*	---	48,844	29,532	43,118	1,306	15,632	138,632	22
Other Countries								
1967	---	433	245	268	269	343	1,558	---
1968	---	854	489	450	791	600	3,184	---
1969	---	1,128	936	1,297	2,175	1,424	6,960	1
1970	---	710	2,441	879	4,021	2,115	10,166	1
1971	---	735	3,503	1,365	2,429	3,479	11,511	1
1972	---	580	3,193	2,647	2,806	4,372	13,598	1
1973	---	1,463	2,462	3,341	3,079	3,664	14,009	1
1974	---	822	1,874	6,031	2,919	2,769	14,415	1
1975	---	34	2,111	9,371	8,958	2,876	23,350	2
1976	---	1,823	1,399	16,258	18,388	3,890	41,058	3
1977	---	3,882	2,014	14,183	19,701	5,871	45,651	2
1978	---	4,995	2,553	10,644	29,306	7,518	55,016	2
1979	---	5,599	4,933	22,342	42,164	17,685	93,023	3
1980	---	13,129	8,719	30,485	59,834	32,066	144,233	4

IMPORTS OF FOREST PRODUCTS INTO NEW ZEALAND BY MAJOR COUNTRIES
OF ORIGIN--VALUE

Thousand dollars

Year Ended June	Aus- tralia	Canada	Finland	Japan	UK	US	Other Countries	Total All Countries	
1	2	3	4	5	6	7	8	9	
All Timber									
1967	---	1,461	960	---	24	3	1,155	880	4,483
1968	---	958	286	---	21	2	822	568	2,657
1969	---	938	502	---	22	6	827	746	3,041
1970	---	1,060	880	---	20	19	1,793	1,061	4,833
1971	---	1,088	413	1	11	13	820	1,344	3,690
1972	---	1,075	467	---	8	19	601	823	2,993
1973	---	872	342	---	15	15	1,890	1,120	4,254
1974	---	952	1,188	---	33	10	3,331	3,746	9,260
1975	---	1,305	605	---	37	13	2,486	3,266	7,712
1976	---	1,364	175	---	93	20	1,254	2,089	4,995
1977	---	1,482	402	---	31	17	2,630	4,006	8,568
1978	---	982	371	---	68	17	1,093	2,438	4,969
1979	---	1,421	564	---	49	47	1,539	1,945	5,565
1980*	---	1,921	1,060	---	23	20	1,744	4,304	9,072
Pulp and Paper									
1967	---	1,102	672	1,263	593	3,233	874	1,188	8,925
1968	---	1,095	310	881	804	2,611	710	1,124	7,535
1969	---	1,312	651	768	1,201	3,261	1,048	1,260	9,501
1970	---	1,325	691	658	1,459	3,847	1,696	1,210	10,886
1971	---	1,628	848	313	1,777	3,876	2,933	1,084	12,459
1972	---	2,272	669	203	1,111	2,721	2,898	1,337	11,211
1973	---	2,331	731	371	2,322	3,158	2,921	2,116	13,950
1974	---	3,257	2,019	887	4,356	4,520	3,329	2,850	21,218
1975	---	3,756	1,321	1,277	8,987	7,628	5,001	4,470	32,440
1976	---	3,876	726	117	4,948	3,929	3,380	2,848	19,824
1977	---	6,279	2,923	1,633	8,146	5,531	5,144	4,798	34,454
1978	---	5,620	985	2,147	6,518	5,702	4,669	5,329	30,970
1979	---	6,132	1,820	3,320	8,299	8,551	5,080	7,836	41,038
1980*	---	12,095	3,671	1,162	11,150	8,560	7,082	9,633	53,353
Other Forest Products									
1967	---	560	249	3	39	934	594	711	3,090
1968	---	534	263	1	32	836	548	551	2,765
1969	---	621	231	10	43	975	579	880	3,339
1970	---	863	440	4	44	958	802	975	4,089
1971	---	1,136	307	13	58	1,041	1,089	863	4,507
1972	---	1,293	297	3	87	1,018	685	1,173	4,556
1973	---	2,349	356	13	303	1,643	2,072	2,347	9,083
1974	---	3,719	314	6	438	1,659	2,314	4,484	12,934
1975	---	2,836	382	10	652	2,039	1,797	5,494	13,210
1976	---	2,874	351	5	361	1,626	1,325	3,690	10,232
1977	---	3,354	413	4	436	1,639	1,187	5,680	12,713
1978	---	3,313	484	22	544	1,658	1,218	5,211	12,450
1979	---	4,599	278	126	588	2,706	2,299	5,059	15,655
1980	---	6,938	649	43	662	2,186	1,736	6,699	18,913

8. NEW ZEALAND

9. PHILIPPINES

Market Profile -- PHILIPPINES⁽³⁾Economic Overview

The demand for U.S. products increased 5 percent in 1982 despite a general slowdown in the Philippine economy. The Philippine Government is developing alternative energy resources and revitalizing basic industries in order to reduce dependence on imported oil. The Philippines experienced a trade deficit of \$2.6 billion in 1982, with inflation of about 10 percent. These trends are expected to continue through 1983.

Major Developments

Major projects include a copper smelter, an integrated steel mill, a phosphatic fertilizer complex, a diesel engine manufacturing plant, the development of heavy metalworking industries, conversion to coal in mining and cement sectors, coconut industry downstream processing, manufacture of alcogas and a pulp and paper mill. Principal goals of the Philippine Development Plan (1983-87) are to sustain economic growth, distribute equitably the fruits of development, and achieve total human development.

Foreign Trade

Best U.S. Sales Prospects. Textile machinery; security and safety equipment; computers and peripherals; energy conservation and generation equipment; metal working equipment; food processing and packaging equipment; construction equipment; instrumentation for medical, scientific, and laboratory purposes; chemicals; and cereals.

Major Suppliers (1981). United States (22 percent) and Japan (22 percent).

Principal Exports. Electronic components, sugar, coconut oil, copper concentrates, logs, lumber, copra, clothing, cement, and textiles.

Major Markets. United States (30.8 percent), Japan (23.9 percent).

Finance

Currency. Peso depreciated gradually from 7.59 to 8.2 (almost 8 percent) during 1981, expected to continue through rest of 1982. Rate as of December 1982, 9 Pesos=US\$1.

Domestic Credit. Prime rate about 16 percent. External debt reached an estimated \$16 billion at the end of 1982.

National Budget. \$6.4 billion in 1983. Projected 1983 deficit is 2.3 percent of GNP.

Balance of Payments. International reserves totaled \$2.5 billion at the end of 1982.

The 1982 current account deficit was \$2.8 billion and the 1984 figure is forecast to be slightly less. The 1982 balance-of-payments deficit was \$900 million.

Foreign Investment

The Philippine Government (GOP) is in the process of establishing a new investment incentive program in the light of an IBRD-sponsored industrial restructuring program. The new incentives, which will encompass many aspects of investment and development, will be administered in a manner

more simplified and consistent with proposed projects. U.S. direct investment exceeded \$1.3 billion (book value) in Dec. 1981.

Basic Economic Facilities

Transportation. Inadequate land transport facilities include about 750 miles of railroads, mainly in Luzon, and 40,000 miles of roads, largely unpaved. Coastal shipping provides interisland service; domestic airlines serve major cities. Regular international air and sea services.

Import-Export Trade^{*} (millions of U.S. dollars)

	1979	1980	1981
Total imports (c.i.f.)	6,142	7,726	7,946
Imports from the U.S.	1,400	1,785	1,744
Manufactured goods	999	1,253	1,744
Agricultural goods	1,392	2,235	N/A
Other	3,751	4,258	N/A
Total Exports (f.o.b.)	4,601	5,788	5,722
Exports to the U.S.	1,372	1,576	1,907
Manufactured goods	N/A	N/A	N/A
Agricultural goods	N/A	N/A	N/A
Other	N/A	N/A	N/A

* Based on Philippine data.

Principal Imports from the U.S. in 1981*
(millions of U.S. dollars)

	Value	Percent of Total
Electrical machinery	388.5	22.2
Grains	187.7	10.7
Boilers, engines	65.1	3.7
Aircraft and space craft	62.5	3.5
Motor vehicles	57.2	3.2
General machinery	42.9	2.4
Elevators, winches	41.4	2.3
Synthetic resins	40.3	2.3
Fertilizers	39.4	2.2
Boilers, engines (other)	45.9	2.0

*Based on U.S. data.

Communications. Telephone service extends to all principal islands. Radio network serves entire Philippines. Television stations in major population centers; participation in international satellite network.

Power. Electric power production in the Philippines is barely adequate to meet the nation's development needs, but should improve under the 5-year energy plan. Electric power is supplied in Manila on a 110/220 volt 60 cycle AC basis.

Natural Resources

Land. 7,100 islands comprising 115,707 square miles. Climate, tropical with generally abundant rainfall. Agriculture 29 percent of GDP in 1980.

Minerals. Copper, nickel, iron, petroleum, and smaller deposits of gold, silver, coal, and others.

Forestry. Hardwood forests being rapidly depleted.

Fisheries. Account for 5 percent of GNP. Domestic fishing industry has remained undeveloped; GOP will modernize fishing, storage, processing, and marketing facilities.

Population

Size. 49.4 million in 1981. Annual growth rate 2.5 percent, mostly Malay or Chinese. 83 percent Catholic.

Labor Force. Estimated 17.5 million, 1981. Agriculture 47 percent; industry and commerce 20 percent; services 13.5 percent.

Education. Literacy rate about 88 percent; 95 percent attendance for compulsory 6 years elementary school.

Language. English, Spanish and Pilipino. English is widely used and is the language of commercial correspondence.

PEOPLE: Population--54.3⁽⁴⁾ million. Ethnic groups--Malays, Chinese, Americans, Spanish. Official languages--Pilipino, English.

WEATHER: Equatorial in some areas and tropical in others.

GEOGRAPHY: Area--115,831 square miles (slightly larger than Nevada), much of it islands. Largest cities--Quezon City, capital, 1.1 million; Manita (de factor capital), 1.6 million; Davao, 611,000.

GOVERNMENT: Type--Republic. Chief of state--Ferdinand Marcos.

SEATTLE LINK: A large⁽⁴⁾ Filipino community in Seattle. Two-way trade totals only about \$317 million a year. Exports from this state include wheat and paper products.

Total trade with Washington state was \$316 million in 1983, up from \$60 million in 1977.

- Shoes
- Textiles
- Rugs
- Fruits
- Vegetables

Main Trading Partners⁽²⁹⁾

(percentage of total value)

<u>Exports to:</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
USA	30.0	27.2	30.4	31.0	35.7
Japan	26.1	26.5	21.9	22.8	19.5
Netherlands	7.8	6.3	5.6	3.8	4.4
West Germany	4.9	4.4	4.2	4.0	4.0
South Korea	3.1	3.5	3.5	3.1	3.0
Hong Kong	3.4	3.3	3.9	3.9	3.2
USSR	1.8	3.3	3.0	2.3	1.7
UK	3.0	2.5	3.4	3.8	4.7
Malaysia	1.2	1.5	1.7	3.5	3.2
<u>Imports from:</u>					
USA	22.8	23.1	22.5	22.2	23.1
Japan	22.8	19.8	18.8	20.0	15.6
Saudi Arabia	6.0	10.3	13.1	11.9	10.5
Kuwait	4.6	5.3	5.2	3.8	3.7
West Germany	4.5	4.2	4.0	4.3	4.8
Australia	3.4	2.8	2.7	2.8	2.5
China	2.0	2.7	2.5	2.7	1.5
Hong Kong	2.5	2.5	2.7	2.8	3.3
Indonesia	3.0	2.3	2.8	1.9	2.2
Singapore	1.3	1.6	1.4	2.8	3.6
Taiwan	2.8	2.4	2.6	2.9	2.8

Sources: Philippine Yearbook; Central Bank Statistical Bulletin.

Main Commodities Traded⁽²⁹⁾

(customs statistics)

Exports (\$ mn)	1981	1982	Imports (mn pesos)	1982	1983
Electrical & electronic equipment & components	820	1,010	Mineral fuels & lubricants	18,887	22,884
Garments	618	540	Non-electric machinery	9,030	10,170
Coconut oil	533	413	Base metals	5,024	5,786
Sugar	567	403	Electric machinery	3,463	4,490
Copper concentrates	429	305	Cereals & cereal preparations	2,454	3,552
Logs & lumber	202	198	Transport equipment	2,743	3,642
Gold	215	160	Chemicals	2,553	3,068
Bananas	124	145			
Copra & copra meal	115	119			
Desiccated coconut	102	67			
Plywood	111	66			

Sources: Private Development Corporation Monthly Economic Letter; Philippine Economic Indicators; press reports for import statistics.

(5)

U.S. Forest Product Exports to the Philippines (f.a.s. basis)
(In thousands of dollars)

Country/Commodity	1982	1983
Philippines		
SOFTWOOD LOGS	13	--
HARDWOOD LOGS	--	2
POLES, PILES & POSTS	--	--
SOFTWOOD LUMBER	21	16
HARDWOOD LUMBER	--	70
HARDWOOD FLOORING	--	26
HARDWOOD SIDING	--	--
HARDWOOD MOLDING	--	1
TREATED LUMBER, FLOORING, SIDING, & MLDG	66	--
SOFTWOOD VENEER	--	--
HARDWOOD VENEER	--	3
SOFTWOOD PLYWOOD	30	1
HARDWOOD PLYWOOD	19	2
PARTICLEBOARD	1	--
CELLULAR WOOD PANELS	--	--
GYPSUM & PLASTER BOARD	42	72
OTHER PANEL PRODUCTS	3	24
OTHER WOOD PRODUCTS	962	648
Total	1,156	865

PHILIPPINES

- Government law mandating gradual phasing out of log exports in 1975 has not materialized because of a need for foreign exchange and lack of substitutes for foreign exchange earnings generated by such exports. (30)
- Wood products industry in general is experiencing serious problems, primarily financial problems and high operational costs. In 1985 the situation is expected to worsen with only companies that are financially stable and have no bank exposure expected to survive. (31)

(32)

Philippine veneer and plywood exports (m³)
(January-September, 1984)

Product Destination	Veneer sheets		Veneer corestock		Plywood	
	Qty	(%)	Qty	(%)	Qty	(%)
US	19,153	46.54	15,123	73.35	44,693	29.51
Japan	12,951	31.47	2,816	13.66	--	--
The Netherlands	3,799	9.23	--	--	4,173	2.75
Australia	2,030	4.93	1,026	4.97	--	--
UK	--	--	--	--	45,391	29.97
Hong Kong	--	--	--	--	38,705	25.56
Canada	--	--	--	--	5,653	3.73
Others	2,268	5.53	1,652	8.02	12,800	8.48
Total volume	41,149		20,616		151,415	
value (US\$000)	8,176		4,237		34,973	
	(avg \$199/m ³)		(avg \$205/m ³)		(avg \$231/m ³)	

GRAND TOTAL OF EXPORTS volume, 213,180, value, 47,368

Philippine Exports of Tropical Forest Products⁽¹⁶⁾
(1,000 Cubic Meters)

	<u>1971</u> ^{1/}	<u>1981</u> ^{1/}	<u>1982</u> ^{2/}	<u>1983</u> ^{2/}	<u>1984</u> ^{2/}	<u>1985</u> ^{3/}
Tropical Hardwood Logs	8,443	705	752	786	846	366
Tropical Hardwood Lumber	231	547	591	728	540	350
Tropical Hardwood Veneer	136	138	98	122	71	35
Tropical Hardwood Plywood	278	371	255	312	268	180

1/ UN/FAO Data.

2/ Attache Reports.

3/ Preliminary

The data on log exports should be viewed with caution--especially for the period 1981-84. While these figure are official, evidence from several sources indicates that log exports have been substantially higher, especially to Japan. Official Japanese import figures show arrivals from the Philippines, in thousands of cubic meters, as follows: 1,437 (1981); 1,384 (1982); 648 (1983); 935 (1984). Data published by the United Nations Food and Agricultural Organization (FAO) show total Philippine hardwood log exports at 1.6 and 1.07 million cubic meters for 1982 and 1983, respectively. (16)

It is reported that the discrepancy between these figures and official data is caused by illicit trading in logs along the vast Philippine coastline. Japan traditionally has been the major market for logs, but significant exports also have gone to Taiwan, Korea, and China.

10. SINGAPORE

Market Profile -- SINGAPORE⁽³⁾

Economic Overview

Singapore has been able to maintain a relatively high level of growth during the present world recession despite its dependence on foreign trade. The Government encourages foreign trade and investment in capital-intensive equipment, manufacturing, and consumer goods. As the center of Southeast Asian commerce and trade, Singapore has stayed active although there has been an overall slowdown in growth. To deal with the worldwide economic pause in activity, the Singaporean Government is concentrating on maintaining domestic demand and investment to compensate for external sectors weakness and on continuing to retrain the work force in order to restructure the economy to lay the foundation for future growth. Singapore's real growth rate for 1982 was 6.3 percent. The country experienced a trade deficit of \$6.6 billion and an inflation rate of 4 percent.

Major Developments

Major projects include the beginning of construction of a mass rapid transit system, major expansion in the production of public housing units, continued construction of three major office-hotel-shopping developments, and plans to construct two large electrical generating plants.

Foreign Trade

Best U.S. Sales Prospects. Computers and related components and systems; industrial electronics; precision engineering; robotics and computer-operated numerical controlled (CNC) metalworking equipment; aviation components and servicing; medical equipment; industrial and office products

which can be used to increase labor productivity such as computers, word processors and process control equipment; consumer goods, such as fashionable clothing and processed foods.

Major Suppliers (January-June 1982). Japan (\$2.5 billion), Malaysia (\$1.9 billion), United States (\$1.8 billion), and EEC (1.5 billion).

Principal Exports. Petroleum products, electrical machinery, telecommunications apparatus, rubber, tin, textiles and garments, and ships.

Major Markets (January-June 1982). Malaysia (\$1.8 billion), United States (\$1.3 billion), Japan (\$1.1 billion), EEC (\$1 billion).

Finance

Currency. Although its value dropped somewhat against the U.S. dollar, the Singapore dollar remained stronger than other major currencies during 1982. \$2.10=US\$1.

Domestic Credit. The prime rate was about 11 percent. External debt reached an estimated \$425 million in mid-July 1982.

National Budget (1982). \$5.9 billion; deficit: approximately \$1.4 billion.

Balance of Payments. International reserves totaled \$7.7 billion (July 1982). A healthy balance-of-payments surplus of \$917 million was recorded for 1981.

Foreign Investment

The Singaporean Government strongly encourages foreign investment, particularly in capital-intensive equipment. Not only does the Government provide financial and capital infrastructure assistance, but it also will provide financial and institutional support for worker training.

Import-Export Trade^{*} (millions of U.S. dollars)

	1980	1981	1982 ^{**}
Total imports (c.i.f.)	23,979	27,566	14,377
U.S. share	14.1	12.6	12.29
Total Exports (f.o.b.)	19,359	20,961	10,681
Domestic exports	12,052	13,938	7,151
U.S. share	12.7	13.2	11.9

^{*} Based on Singapore data.

^{**} First two quarters.

Principal Imports from the U.S. in 1981^{*} (millions of U.S. dollars)

	Value	Percent of Total
Food and live animals	165.0	5.6
Minerals, fuels, lubricants	146.5	4.9
Chemicals and related products	252.0	8.5
Machinery and transport equipment	1,844.6	62.1
Manufactured goods	371.7	12.5

^{*} Based on U.S. data.

Basic Economic Facilities

Transportation. Singapore serves as a center for transportation in Southeast Asia. It is served by major international airlines and a modern airport. The transportation system links Singapore by road and rail to Malaysia and Thailand.

Communications. Singapore is also the center for communication in Southeast Asia. Telecommunications and telephone facilities are modern and comprehensive. Radio and television stations are government owned and operated. There are also daily newspapers published in English, Chinese, and Malay.

Power. Singapore's public utilities are reliable and efficient. The electrical system operates on a 230-volt, single-phase, 50 cycle alternating current. All 110-volt electrical equipment requires transformers. Unless electrical motors are specifically wired for 50/60 cycles, they are subject to failure.

Natural Resources

Terrain. Land 224.3 square miles; one large island and 55 islets. Climate's tropical; average maximum temperature 87°F; average rainfall 96 inches.

Resources. Because of Singapore's size, agriculture and natural resources have no major impact on the economy. Rice and other staples are imported; fruits and vegetables are produced for domestic consumption and other resources, such as tropical fish, and exported in limited quantities.

Population

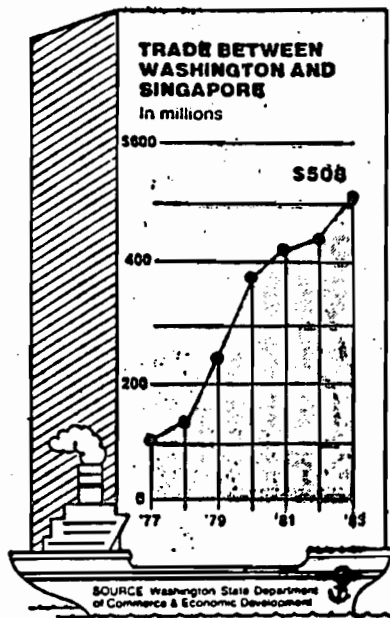
Size (1980). 2.4 million. Annual growth rate--1.3 percent. The people of Singapore are mostly Chinese (77 percent, but there are also Malays and Indians.

Labor Force. 1,083,000. Agriculture 2 percent, industry and commerce 70 percent, and services 21 percent.

Education. Literacy rate--84 percent for those under 30 years old; literacy rate exceeds 90 percent. There is no compulsory education although the Government aims at providing 10 years of education for every child.

Language. The National language is Malay. Chinese, English, and Tamil are also official languages. English is widely used and is the language of administration.

(4)



(4)

PEOPLE: Population--2.4 million. Ethnic groups--Chinese (majority), Malays, Indians, other. Languages--Chinese, English, Malay, Tamil.

WEATHER: Equatorial.

GEOGRAPHY: A small island nation at the southern tip of the Malay Peninsula, about 60 miles north of the equator. It is 26 miles long and 14 miles wide.

GOVERNMENT: Republic with a parliament. Lee Kuan Yew is prime minister.

(4)

SEATTLE LINK: Sixth-largest trading partner, with about \$870 million in two-way trade. Washington exports apples; Singapore Airlines is a major customer of Boeing. Imports to state include electronic equipment and clothing.

Total trade with Washington state was \$508 million in 1983, up from \$106 million in 1977.

- Telecommunications and sound equipment
- Clothing
- Electrical appliances
- Air compressors
- Electric motors

TRADE OF SINGAPORE (33)

January-December	mn \$S	
Exports, fob	1983	1984
Food, drink and tobacco of which:	2,235	3,105
cereals and preps	275	839
coffee, etc. and spices	720	961
Rubber, crude	2,108	2,138
Petroleum and products	12,762	12,992
Animal and vegetable oils and fats	628	1,541
Chemicals	1,956	2,464
Machinery, incl. electric	12,353	15,016
Transport equipment	2,325	1,849
Clothing	1,002	1,171
Total, including other items	46,155	51,340
Imports, cif	1983	1984
Food, drink and tobacco of which:	3,920	4,619
cereals and preps	637	981
fruit and vegetables and preps	858	914
Rubber, crude	1,622	1,454
Petroleum and products	18,601	16,949
Animal and vegetable oils and fats	632	1,436
Chemicals	2,982	3,096
Textile yarn, fabrics and mnfrs.	2,052	2,018
Non-metallic minerals mnfrs.	1,198	1,281
Iron and steel	1,890	1,731
Metal manufactures	1,255	1,268
Machinery, incl. electric	14,226	15,816
Transport equipment	3,820	3,604
Scientific instruments etc.	1,536	1,546
Total, including other items	59,504	61,134

DIRECTION OF SINGAPORE'S FOREIGN TRADE⁽³³⁾

January-December mn S\$

Exports, fob	1983	1984	Imports, cif	1983	1984
USA	8,374	10,292	Japan	10,724	11,218
Pen Malaysia	6,886	7,269	USA	9,006	8,923
Japan	4,244	4,807	Pen Malaysia	6,746	7,541
Hong Kong	3,132	3,176	Saudi Arabia	6,508	5,687
Thailand	1,995	2,458	China	1,747	2,881
Australia	1,355	1,751	Taiwan	1,601	1,998
India	923	1,413	Kuwait	1,546	1,883
UK	1,054	1,373	W. Germany	1,620	1,667
Saudi Arabia	975	1,364	UK	1,644	1,596
W. Germany	1,072	1,227	Australia	1,123	1,502
Rep. of Korea	965	814	UAE	1,419	1,403

U.S. FOREST PRODUCTS EXPORTS TO SINGAPORE (f.a.s. basis)⁽⁵⁾
(In thousands of dollars)

Country/Commodity	1982	1983
Singapore		
SOFTWOOD LOGS	--	--
HARDWOOD LOGS	528	336
POLES, PILES AND POSTS	10	--
WOOD CHIPS	--	--
SOFTWOOD LUMBER	156	232
HARDWOOD LUMBER	59	433
SOFTWOOD FLOORING	--	--
HARDWOOD FLOORING	67	16
SOFTWOOD MOLDING	--	1
HARDWOOD MOLDING	7	12
TREATED LUMBER, FLOORING, SIDING AND MLDG.	13	5
SOFTWOOD VENEER	71	72
HARDWOOD VENEER	443	910
SOFTWOOD PLYWOOD	53	40
HARDWOOD PLYWOOD	--	11
HARDBOARD	573	283
PARTICLEBOARD	434	849
CELLULAR WOOD PANELS	112	93
GYPSUM AND PLASTER BOARD	1,325	1,236
OTHER PANEL PRODUCTS	64	57
OTHER WOOD PRODUCTS	571	619
Total	4,484	5,206

11. TAIWAN

Market Profile -- TAIWAN⁽³⁾Economic Overview

Taiwan's economic growth has recently been lagging compared with its 9 percent per year average of the last 30 years. GNP growth in 1981 was 5.4 percent; the forecast for 1982 is 3.6 percent. Investment growth was positive at 2.8 percent but much lower than 1980's growth of 15.5 percent. Inflation has been reduced substantially to about 5 percent. Unemployment in 1981 remained very low, averaging 1.35 percent, but underemployment is on the rise, especially in the agricultural sector.

Major Developments

A new Joint Industrial Investment Service Center has been established to assist prospective and already resident foreign investors. In addition, the authorities are considering the establishment of a free trade zone in Taiwan, which would offer incentives for high technology, nonpolluting industry and provide bonded warehousing and other services.

Foreign Trade

Best U.S. Sales Prospects. Electronics industry production and test equipment, energy conservation equipment, laboratory testing equipment, computers, and precision instrumentation.

Major Suppliers (1981). Japan (28 percent), United States (22.5 percent).

Principal Exports. Textile products, electronic/electrical goods, machinery, footwear, plywood and furniture, and processed foods.

Major Markets (1981). United States (36.1 percent) and Japan (10.9 percent).

Finance

Currency. New Taiwan dollar: NT \$39=\$1.

Domestic Credit. Secured loan rate 18 percent in 1981 and expected to be 15.25 percent in 1982.

National Budget. Proposed FY 1983 (ending June 30, 1983) expenditures \$8.9 billion, mainly for defense, economic development, and social services. Deficit, \$1.25 billion.

Balance of Payments. Balance of payments showed a positive \$1,336 million at end of 1981, up substantially from 1980 balance of \$241 million.

Foreign Investment

Private foreign investment approved 1953-81, \$3,114 million; from the United States, \$979 million, mainly in electronics/electrical products and chemicals.

Investment Prospects. Investment climate favorable with liberal tax incentives in approved manufacturing sectors. Emphasis on technology and capital-intensive projects.

Import-Export Trade^{*}
(millions of U.S. dollars)

	1979	1980	1981
Total imports (c.i.f.)	14,774	19,733	21,200
Imports from the U.S.	3,381	4,673	4,766
Manufactured goods	4,577	5,765	6,738
Agricultural and industrial raw materials	10,197	13,968	14,461
Total Exports (c.i.f.)	16,103	19,811	22,611
Exports to the U.S.	5,652	6,760	8,163
Manufactured goods	14,581	17,990	20,859
Agricultural goods	1,523	1,821	1,743

* Based on Taiwan data.

Principal Imports from the U.S. in 1981^{*}
(millions of U.S. dollars)

	Value	Percent of Total
Machinery and tools	1,459	30.6
Electrical machinery and equipment	624	13.1
Chemicals	536	11.2
Soybeans	383	8.0
Corn	293	6.1
Transportation equipment	154	3.2
Wheat	133	2.8
Cotton	117	2.5

* Based on U.S. data.

Basic Economic Facilities

Transportation. Railroad system of 5,100 kilometers and highway system of 17,488 kilometers (as of 1980). Port facilities: Kaohsiung, Keelung, Taichung, and Hualien.

Communications. Good international cable, telex, and telephone facilities. Three television networks, 134 radio stations, and satellite links.

Power. Power generation was 40.1 billion kilowatt hours in 1981. Capacity was 10,077 megawatts in 1981 and will need capacity of 15,836 megawatts by 1985.

Natural Resources

Land. 13,895 square miles; about 25 percent cultivated; many mountain peaks over 10,000 feet.

Minerals. More important minerals: coal, natural gas, marble, limestone, glass sand, copper, and salt (sea).

Forestry. A major resource, but inaccessibility in steep mountain areas has held back exploitation.

Population

Size. 18.1 million end 1981; annual growth rate of 1.92 percent.

Labor Force. About 6.9 million end 1981; unemployment rate, 1.35 percent; some underemployment.

Education. Free and compulsory to ninth grade; 101 colleges/universities. Nearly universal literacy.

Language. Mandarin Chinese (official). Principal local dialects: Taiwanese and Hakka.

(4)

PEOPLE: Population--18.7 million. Ethnic groups--Almost entirely Chinese, but about 300,000 aboriginals. Languages--Chinese.

WEATHER: Subtropical.

GEOGRAPHY: About 14,000 square miles on an island about 100 miles from the coast of Fujian province in China. Taipei, the capital, has about 2.3 million residents.

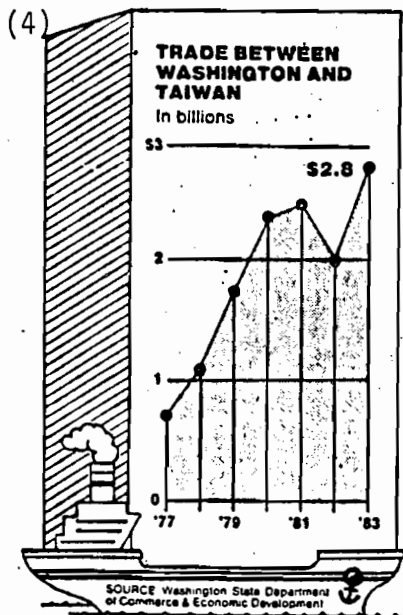
GOVERNMENT: Republic controlled by remnants of Nationalist government from China. U.S. broke off diplomatic relations in 1979.

(4)

SEATTLE LINK. Third-largest trading partner with state; about \$2.9 billion in two-way trade. Taiwan government maintains an office in Seattle. Deal recently signed for \$300 million in Washington state products.

Total trade with Washington state was \$2.8 billion in 1983, up from \$799 million in 1977.-

Clothing
- Telecommunications and sound equipment
- Shoes- Travel goods (handbags)
- Furniture and furniture parts



Main Commodities Traded⁽³⁴⁾

(NT\$ bn)

Exports fob	1982	1983	Imports cif	1982	1983
Electrical machinery and apparatus	152.18	194.25	Crude oil	156.84	164.23
Clothing	126.13	136.40	Electrical machinery	78.12	94.72
Textile products	60.20	63.71	Non-electrical machinery	76.61	75.30
Transport equipment	42.49	40.94	Base metals	64.37	71.86
Machinery	32.88	38.67	Chemicals	54.73	71.20
Plastic footwear	30.12	34.00	Transport equipment	40.22	40.15
Base metals	25.84	27.83	Maize	14.57	19.65
Plywood	12.99	14.50	Logs	16.75	17.12
Canned asparagus	3.52	2.48	Coal	16.13	15.87
Canned mushrooms	2.51	2.48	Soya beans	13.23	14.85
Sugar	3.81	1.60	Raw cotton	14.97	13.17

Source: Industry of Free China.

Main Trading Partners⁽³⁴⁾

(% of total)

Exports	1983	1984	Imports	1983	1984
USA	45.1	48.8	Japan	27.5	29.3
Japan	9.9	10.5	USA	22.9	22.9
Hong Kong	6.5	6.9	Saudi Arabia	9.5	9.0
West Germany	3.4	2.8	Kuwait	5.6	5.2
Saudi Arabia	3.0	2.4	West Germany	3.4	3.5
Canada	2.9	3.0	Australia	3.4	3.5
Australia	2.5	2.7			
UK	2.5	2.3			

Source: Industry of Free China.

TAIWAN (36)Forest Product Industry - Demand

- Plywood, pulp, and wooden furniture manufacturing dominate Taiwan forest product industries. The total demand for timber in 1984 was about 16.5 billion S.F.; the end uses of timber were estimated to be: plywood 35%, pulp 21%, wooden furniture 16%, construction 14%, packing materials 7%, other 7% (Jen 1983).

Supply - Domestic

- Until 1969, the primary source of log supply was local timber. Since that time, the Taiwan government has attempted to discourage timber harvesting to minimize erosion, a serious problem at that time. These policies allow cheaper imported logs to enter the domestic market. According to latest Taiwan forestry policies, a further reduction in domestic log production is planned for 1983 and 1986.

Imports

- Imported logs are primarily used for making plywood. Presently, the major sources of imported logs are Malaysia 80%, Indonesia 8%, Philippines 6%, and other 6%.
- Imported lumber increased about 70 times between 1972 and 1984 and is utilized primarily for manufacturing furniture. 1984 lumber consumption was about 160 million S.F. The major sources of imported lumber were Indonesia 50%, United States 20%, Malaysia 17%, and others 13%.

U.S. FOREST PRODUCTS EXPORTS TO TAIWAN (f.a.s. basis)⁽⁵⁾
(In thousands of dollars)

Country/Commodity	1982	1983
Taiwan		
SOFTWOOD LOGS	2,130	713
HARDWOOD LOGS	3,936	7,168
POLES, PILES AND POSTS	--	--
WOOD CHIPS	--	--
SOFTWOOD LUMBER	848	664
HARDWOOD LUMBER	7,550	24,412
SOFTWOOD FLOORING	78	61
HARDWOOD FLOORING	--	272
SOFTWOOD MOLDING	--	3
HARDWOOD MOLDING	19	11
TREATED LUMBER, FLOORING, SIDING AND MLDG.	75	--
SOFTWOOD VENEER	71	130
HARDWOOD VENEER	2,439	3,866
SOFTWOOD PLYWOOD	5	238
HARDWOOD PLYWOOD	32	15
HARDBOARD	2,478	417
PARTICLEBOARD	1,022	3,414
CELLULAR WOOD PANELS	40	12
GYPSUM AND PLASTER BOARD	267	118
OTHER PANEL PRODUCTS	487	262
OTHER WOOD PRODUCTS	743	488
Total	22,221	42,264

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