

ITTO/FAO INTERNATIONAL CONFERENCE ON
TROPICAL PLYWOOD 26 –28 Sept. 2005 Beijing, China

**Statement by Mr. Alhassan Attah - Chair person of the International Tropical
Timber Council – ITTC**

Your Excellencies,

The representative of State Forestry Administration of China; Mr. Liu Hongcun, Deputy
Director General of International Cooperation;

Mr. Su Ming, Director International Forestry Cooperation Center;

Mr. Jean Jacques Landrot, President of ATIBT; and Mr. Olman Serrano, of FAO

Distinguished Participants;

Ladies and Gentlemen,

It is a great pleasure and honor for me to be present here this morning on behalf of the
International Tropical Timber Council, to say a few words on the occasion of the opening
of the ITTO/FAO INTERNATIONAL CONFERENCE ON TROPICAL PLYWOOD.
For me this is a unique opportunity that brings together so many stakeholders and experts
in the tropical plywood business from all over the world to deliberate on issues that affect
the trade in tropical plywood in this beautiful city of Beijing.

Allow me first and foremost to thank our Chinese hosts and counterpart agency, in
particular, the Chinese State Forestry Administration for the excellent arrangements they
have put in place to ensure that this Conference is a success.

Let me also take this opportunity, on behalf of the International Tropical Timber Organization, its Executive Director, Dr. Sobral, to convey my sincere gratitude to the Food and Agriculture Organization of the United Nations – FAO – and in particular to Dr. Hosny ElLakany – Assistant Director General of the Forestry Department for having provided exemplary leadership that has allowed our two organizations to work closely in recent times to our mutual benefit and for the advancement of tropical forestry. More specifically ITTO and FAO have worked as partners to convene this Conference. We have also worked together on our joint questionnaire to provide information to support the development of the tropical timber industry and trade for the benefit of people whose livelihoods depend on tropical forests.

I also wish to extend my thanks to Mr. Jean Jacques Landrot, President of the Association Technique des Bois Tropicaux for their technical support to this Conference.

Ladies and Gentlemen, this is the fourth time that ITTO is convening an international conference of tropical Plywood, and much has changed since the first one held in Jakarta Indonesia in 1991, fourteen years ago. Today, China's exports of tropical timber products, in particular plywood have seen tremendous growth. Although this development is encouraging it is also a source of concern to some tropical timber producing countries who have found the Chinese competitive. There are also concerns with regards to the sources of China's massive imports of raw material. A concern that both China and the supply countries must work together to address in the short term if the market share of tropical timber is not to be lost to other competing products. With the

natural disasters that have occurred recently, from the Tsunamis in South East Asia to the hurricanes in the North America, the public is going to be once again critical of tropical timber and how tropical forests are managed and harvested. Our ability to manage the potential negative publicity will to a large extent depend on how we are able to show the credibility of our source of material, and address issues related to illegal logging.

Mr. Chairman, Distinguished delegates,

The tropical plywood sector is now under strong threat from other plywood and wood-based panels. Since 1991, the global production of wood-based panels has increased by more than 50%. That of total world plywood production (i.e. tropical and non-tropical) increased by some 20% but the production of tropical plywood has hardly changed in over the same period. Problems with log supply has certainly played a role in this, but other factors such as the lack of transparency in tropical plywood markets and price instability due to over supply and inability to manage production and stocks of plywood have also contributed to the current difficult situation for tropical plywood. This situation has attracted the attention of ITTO and has resulted in a number of studies, in particular the one that has resulted in the publication “**Reviving Tropical Plywood**”; and which in my view is a must-read for plywood manufacturers, traders and international trade policy-makers. I recommend this publication to you and ITTO has taken the liberty to include copies in your folders.

Mr. Chairman,

Prior to the Asian crisis in 1997, 2.7-mm Indonesian plywood, the largest category of tropical plywood in international markets, was fetching around US\$700/m³ and, at one time peaked at US\$780/m³. However with the Asian crisis the prices of tropical plywood have suffered, marking a turning point for the international trade in tropical plywood. Prices plummeted to as low as US\$250/m³, and have been at this levels until recently. The collapse of plywood prices have come with dire consequences in tropical producer countries. Companies are reported to have collapsed, workers laid off and foreign exchange earnings have shrunk leading to further reduction in budgetary allocations to support sustainable forest management in producer countries. With the recent oil crisis there are bound to be uncertainties and I am hopeful that your deliberations at this conference over the next three days will provide some guidance to actions required by ITTO to support the tropical plywood trade particularly in its member countries.

Mr. Chairman, Distinguished participants,

Timber, like other commodities have generally shown long term downward trends and high level of price instability. This has dire consequences on the economies of tropical timber producer countries whose economies are very dependent on commodities, in particular timber exports. Our ability to reverse this situation will to a large extent depend on the level of value addition in producer countries and to the extent that producer country domestic and regional markets can play as a buffer to stabilize prices.

Mr. Chairman, Let me at this stage comment on the changing nature of the wood based panels trade. Production and trade of wood based panels – plywood, particleboard,

fiberboard, veneers, oriented strand board and other reconstituted panels have seen substantial increment in recent years. This growth has however been pronounced in China which has experienced about a five times growth in its production, while Africa has experienced the least growth in its production. Other countries that have experienced changes in their plywood sectors include Brazil, China, Indonesia and Japan. These have all seen major upheavals in recent years and the industry is in search of a new equilibrium to which China must play a fundamental role.

China has become a key player in the plywood market, and has been able to compete with Indonesian producers even in the Indonesian domestic marketplace. Developments in China's plywood sector have been the most dramatic of all and have clearly not yet played out fully. China's production and consumption of plywood have been rising for years and are expected to remain strong for still many years ahead. Not long ago China was a major plywood importer but it has now become the world's third-largest tropical plywood producer, the second-largest consumer and close to Brazil as the third-largest exporter. Contrary to the declines that characterize the plywood industries in many other countries, China is experiencing a growth in its plywood industry and this momentum is projected to continue given its production efficiency and competitiveness of its prices in international markets.

Distinguished delegates, Ladies and Gentlemen;

The strategic importance of this Conference is to enhance mutual understanding of the many and complex issues involved along the supply chain in the production and trade of

tropical plywood and I am hopeful that some concrete and practical proposals will emanate from this Conference so as to stimulate tropical plywood production and strengthen its market share among wood based panels internationally.

Permit me to also ensure you that ITTO is dedicated to the conservation and sustainable management, use and trade of tropical forest resources. Though the tropical plywood sector remains in a fragile state, it is ITTO's hope that this Conference will help to catalyze the action that is needed by all players if the sector is to flourish once more. On that note, I have the pleasure of wishing you all a very productive and enriching meeting.

Thank you for your attention.