

GENERAL AGREEMENT ON TARIFFS AND TRADE

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PROGRAMME OF CONSULTATIONS ON TRADE LIBERALIZATION

TROPICAL WOOD AND WOOD PRODUCTS

Informal record prepared by the secretariat

1. The consultations on tropical wood and wood products were held on 17 March under the acting chairmanship of Mr. P. Barthel-Rosa (secretariat).

2. As a basis for the consultations, the secretariat had prepared document COM.TD/W/345 containing detailed information on the commercial policy situation, trade flows, consumption and other factors affecting trade.

General comments on the trade and commercial policy situation

3. Representatives of a number of developing countries referred to the importance of exports of wood and wood products to their economies and highlighted the role of developing countries in the world timber economy. They described the efforts being made by developing countries not only to develop their forest reserves and estates in order to arrest the depletion of resources and thus maintain a regular supply of logs, but also efforts to optimize the utilization of the resources through a greater degree of industrialization involving, inter alia, downstream activities such as the production of wood panels, plywood, knockdown furniture and other wood based products. While developing countries were the major suppliers of wood in the rough and such products as saw logs, veneer logs and sawnwood in the markets of industrialized countries, their share of such markets

declined significantly with the degree of processing. They stated that increased processing of tropical wood resulting in value added could play an important role in the national and regional economic development of developing countries. Given the numerous end uses of wood, there was a great potential for the production and export of semi-manufactures and manufactures of wood by developing countries. In this respect, the degree of success or failure of the efforts of developing countries to increase their participation in wood processing and manufacturing would depend, inter alia, on the degree of access to markets for the end products.

4. These representatives expressed their appreciation for the substantial progress made by developed importing countries during the Tokyo Round in reducing duties on wood products. However, in their view, tariff escalation according to the degree of processing still remained a feature in this sector. While tariffs on logs and sawnwood had been reduced there were still high tariffs on plywood in certain markets. There was also the question of the continued application of quantitative restrictions, especially on plywood.

5. The representative of Zaire referred to the structural problems which the timber industry, a major foreign exchange earner in his country, had faced over the past ten years and the measures that had been taken to stabilize the situation, liberalize exports and promote activity in this sector. He expressed appreciation for the understanding shown by the European Economic Community for the problems in the sector, by extending the STABEX to cover tropical wood including both logs and sawnwood and appealed to other developed countries who were his country's trading partners, to reduce or eliminate the remaining trade barriers applying to this sector of international trade.

6. The representative of the European Economic Communities stated that the Communities was the main importer of tropical saw logs, plywood and panels as well as of carpentry wood and products. He indicated that the Communities had granted GSP treatment to developing countries on most of these products, in some cases, on the basis of tariff quotas. M.f.n. rates, which applied after the GSP tariff quotas had been filled, had been also substantially reduced during the Tokyo Round and the Community did not apply any quantitative restrictions in the sector of tropical wood. Pointing to the difficult economic situation prevailing in the Communities he noted that plywood production had declined in the Communities at the same time as imports had increased. This representative expressed concern at the situation where supplies of timber to the Communities had been affected by the application of certain export restrictions by certain wood producing countries.

II. Specific comments on trade measures and trade situation

7. Representatives of exporting countries reiterated that while they were generally appreciative of the liberalization achieved during the Tokyo Round, there was scope for further efforts. While primary wood products such as saw and veneer logs, and sawnwood entered most developed markets duty-free, import duties in a number of markets escalated with the degree of processing and were heaviest on plywood and wood manufactures.

8. With regard to the European Economic Communities, some of these representatives stated that while duty-free entry under the GSP for a number of wood and wood products was appreciated, CCCN items 44.09, 44.13, 44.15 and 44.23 were subject to tariff quotas; furthermore tariff quotas for GSP treatment on non-coniferous sawnwood and plywood were more restrictive than quotas on coniferous species. With respect to

manufactured products, while chairs and other seats, and certain furniture received liberal GSP tariff treatment, tariff quota limitations and individual ceilings affected the possibilities of greater access to the Communities.

9. These representatives also stated that an important problem in Japan concerned veneer sheets and plywood. Although there had been appreciable reductions in tariffs on some wood products during the Tokyo Round on an m.f.n. basis, and GSP treatment was offered for sheets for plywood and sawnwood not further worked (44.14), a number of plywood products continued to be subject to m.f.n. duties of 20 per cent and 15 per cent. Some GSP items were also subject to tariff quota limitations and the tariff concessions on sawnwood sliced or peeled (44.05) excluded certain wood species such as lauan.

10. With regard to the United States, the representative of the Philippines indicated that while there were tariff reductions on plywood and veneer during the MTN, the final MTN rate was at the significant level of 8 per cent (present rate being 12 per cent) and the item was not included in the GSP. He added that for certain veneer and wood panels although the post-MTN GSP rate was 4 per cent his country was excluded as a beneficiary under the "competitive need requirement".

11. Some representatives of developing countries noted that Australia and New Zealand had higher tariffs on certain tropical wood products than some other developed countries. With respect to Australia, particular reference was made to the 15 per cent duty on sawnwood (44.14) which was also subject to quantitative restrictions, and health and sanitary regulations, and to the 30 per cent and 40 per cent rates of duty on plywood. In Canada, these

representatives were of the view that there was scope for the reduction of duties on manufactures of wood (50600-1) and plywood of Philippine mahogany (ex 50715-1).

12. In response to the comments addressed to Japan, the representative of Japan described the present situation with respect to the Japanese tropical timber manufacturing industry as very difficult and in a state of crisis. The industry was made up of about 8,000 mostly small scale saw mills and plywood plants; following the 1973 oil shock and the subsequent fall in demand, many plants had been faced with problems of excess capacity. Export restrictions in certain timber exporting countries had also created problems including a rapid rise in the prices of saw logs. In spite of these serious problems, the Government had decided on a two year advanced implementation of the staged Tokyo Round concessions on plywood. This meant that intermediate rates which should normally be implemented in 1984 would now be implemented on 1 April 1982 in spite of strong opposition to the measure in Parliament. This representative also noted that sawn tropical wood and veneer had been subject to GSP treatment which, in 1981, had been extended for another ten years. In the light of these measures imports of sawn timber, veneer and plywood from Malaysia, Indonesia and the Philippines had been increasing steadily.

13. Representatives of exporting countries expressed appreciation for the decision by Japan to advance the implementation of the MTN concession on plywood. The representative of an exporting country expressed understanding for the structural problems facing the tropical wood industry in Japan, as his own country was also facing structural problems, necessitating the importation of logs from neighbouring countries to

replenish declining local production. He expressed the hope that as Japan adjusted to competition, efforts would be made to reduce tariffs further especially with regard to the plywood item under CCCN 44.15-0102B. While undertaking to refer to his authorities the suggestions made, the representative of Japan appealed for greater understanding of the very difficult problems facing the tropical wood industry in his country.

14. The representative of the EEC reiterated that the Communities did not maintain quantitative restrictions in this sector; as far as the tariff quotas applied in connexion with the GSP were concerned, the ceilings had been considerably improved in 1981. Since then they have been raised by 38 per cent for Brazil, South Korea, Indonesia, Malaysia, Singapore and Philippines. Under the old scheme, the quota had been 319,000 cubic metres as compared with 441,000 cubic metres for 1982. He stated that the scheme had offered a greater measure of security to suppliers and had enabled the ASEAN countries to increase exports under GSP to the Communities by 27 per cent from 1980 to 1981, i.e. from 220,000 to 280,000 cubic metres. It was noted that there were no obstacles to increases in exports under m.f.n. duty, depending upon the ability of the producing countries to make the necessary adjustment between duty-free quota exports and exports subject to m.f.n. rates. With regard to the quota on coniferous plywood, this representative explained that the quota for recent years had been fixed taking into consideration the situation within the EEC. Differences in the end uses between coniferous and tropical plywood had influenced the situation; while the former was mainly used in relatively lower cost housing, the latter, due to its high quality, was employed in luxury housing and products. On sawnwood there were no GSP tariff quotas, but on plywood the present level of quota was 73,500 cubic metres for the six supplying countries referred to above.

15. With regard to other tropical wood products to which reference had been made, the representative of the Communities stated that most were covered by the GSP without quotas. The products involved fell under CCCN numbers, 44.09, 44.19, 44.20, 44.21, 44.22 and 44.24. However, there were four products under the GSP subject to tariff quotas, but these quotas were increased by 10 per cent in 1981; as far as products under 44.25 were concerned the ceiling had also been raised by 10 per cent. In this latter case, the ceiling was being maintained because the production in question provided a livelihood for handicapped persons. Pointing out the substantial progress in trade liberalization already achieved in this sector and stressing the prevailing difficult economic situation in the Community, he stated that if the situation improved especially with respect to the building industry, further progress might be possible. The Communities were ready to consult bilaterally with interested delegations.

16. The representative of the United States stated that with particular reference to plywood and veneer panels, substantial reductions of m.f.n. duties had taken place during the MTN, although some items were subject to the "competitive need requirement" under the GSP. Thus, the concessional duty on certain plywood had been reduced from 20 per cent to 8 per cent; on veneer panels the concessional duty had been reduced from 10 per cent to 4 per cent and all four relevant TS US items listed were included in the GSP with one subject to the "competitive need requirement". He added that the comments made by delegations had been noted and would be transmitted to his authorities.

III. Suggestions for further progress in trade liberalization

17. Representatives of developing countries exporting tropical timber products made a number of specific suggestions for further progress in the liberalization of trade in this sector. These included the following:

WOOD AND WOOD PRODUCTS

- Austria:

- ex 44.14C Veneer sheets and veneer corestock of Philippine mahogany - m.f.n. rate of 12 per cent to be reduced to 6 per cent.
- ex 44.15 Plywood, blockboard, laminboard and similar laminated wood products (including veneered panels and sheets), inlaid wood and wood marquetry: of Philippine mahogany
- m.f.n. rate of 18 per cent to be reduced to 9 per cent.
- ex 44.24 Household utensils of Philippine mahogany and/or rain tree (acacia)
- m.f.n. rate of 6 per cent to be reduced to zero or at least 3 per cent.

- Australia:

- ex 44.14.900 Veneer sheets and sheets for plywood, of a thickness not exceeding 5 mm: of Philippine mahogany
- separate tariff classification, and reduction of m.f.n. duty of 15 per cent to 7.5 per cent.
- 44.15.110,190 Plywood - reduction of m.f.n. duty (40 per cent etc.) or GSP treatment.
- 44.15.900 Blockboard, laminboard, etc.
- reduction of m.f.n. duty of 30 per cent or GSP treatment.

- Canada:

- ex 50715-1 Plywood of Philippine mahogany, other than those imported by manufacturers of picker sticks for use in the manufacture of such articles of plywood of okoume and softwood.
- separate tariff classification and the reduction of m.f.n. duty of 8 per cent to zero.
- 50600-1 Manufactures of wood, n.o.p. - reduction of m.f.n. duty from 9.2 per cent to 4 per cent.

- EEC:

- ex 4414B) Veneer sheets, etc. of coniferous species
- ex 4415) Plywood, etc. of coniferous species
- GSP quota for non-coniferous species equivalent to the quota for coniferous species
- ex 44.15 Plywood - increase of GSP quotas.
- 9401BII) Chairs and other furniture of wood
- 9403B)
- reduction of m.f.n. duty to zero or an increase in the individual ceiling for duty-free entry under the GSP

- Japan:

- 44.05-4 Sawn timber - duty-free GSP without quantitative limitations.
- ex 44.15 Plywood - reduction or elimination of m.f.n. duty, or duty-free treatment under the GSP without quantitative limitations.

- New Zealand:

- ex 44.15.001 Plywood of Philippine mahogany - reduction in m.f.n. duty from 35 per cent to 17 per cent and elimination of quantitative restrictions
- ex 44.24.001) Spoons and forks of Philippine mahogany and other
- ex 44.24.009) household utensils of Philippine mahogany.
- reduction in m.f.n. duty from 30 per cent to 15 per cent and removal of quantitative restrictions.
- ex 94.03. Other furniture and parts thereof - reduction in m.f.n. duties from 40 per cent to 20 per cent and elimination of quantitative restrictions.

- United States:

- 24017-20 Meranti plywood - inclusion in GSP.
- ex 24017 Plywood, not face finished or face finished, with a clear or transparent material which does not obscure the grain, texture or markings of the face ply: of Philippine mahogany
- reduction of m.f.n. rate to zero or advance implementation of Tokyo Round concession rate (8 per cent).

ex 24038.20

Wood-veneer panels, not face finished, with veneer faces on both sides, with a clear or transparent material which does not obscure the grain, texture, or markings of the face ply: of Philippine mahogany

- reduction of m.f.n. rate to 4 per cent.

ex 24040

Wood veneer panels, with veneer faces on both sides, face finished with a clear or transparent material which does not obscure the grain, texture, or markings of the face ply, of Philippine mahogany

- reduction of m.f.n. rate to 4 per cent.