



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 7/16/2004

GAIN Report Number: KS4034

Korea, Republic of

Solid Wood Products

Annual

2004

Approved by:
Marcus E. Lower
U.S. Embassy

Prepared by:
Sunchul Choi

Report Highlights:

Dampened by combined internal and external uncertainties, the forecast for Korean economic growth has been revised down to about 5 percent by local and foreign economic research institutes. Concurrently, discouraged by government intervention to curb the speculative housing market, consumers are staying away from purchases of housing and durable items, which are impacting the construction sector. The housing repair and remodeling market is, conversely, expected to continue to grow. In October 2004, the Korean government plans to release the final rule on a proposed revision to the building code, which would allow for multi-family structure of up to three stories made of wood frame construction.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Seoul [KS1]
[KS]

Table of Contents

SECTION I. SITUATION AND OUTLOOK	4
SECTION II. STATISTICAL TABLES	6
Strategic Indicator Tables	6
PS&D Tables and Trade Matrices	9
Temperate Hardwood Logs PSD.....	9
Import Trade Matrix- Temperate Hardwood Logs.....	9
Tropical Hardwood Logs PSD.....	10
Import Trade Matrix- Tropical Hardwood Logs.....	10
Softwood Logs PSD.....	11
Import Trade Matrix- Softwood Logs.....	11
Value of Logs Imports per Country	11
Value of Logs Imports per Country	12
Temperate Hardwood Lumber PSD	13
Import Trade Matrix- Temperate Hardwood Lumber.....	13
Hardwood Lumber Imports From U. S.....	14
Temperate Hardwood Lumber Imports From the U. S.	14
Tropical Hardwood Lumber PSD.....	15
Import Trade Matrix- Tropical Hardwood Lumber.....	15
Softwood Lumber PSD.....	16
Import Trade Matrix- Softwood Lumber.....	16
Softwood Lumber Imports From the U.S.	17
Softwood Lumber Imports From the U. S. for Jan. – Mar.	17
Value of Lumber Imports per Country	17
Veneer PSD.....	18
Import Trade Matrix- Veneer.....	18
Value of Veneer Imports per Country	19
Other Tables	20
Economic Growth Rate	20
Operation Rate of Wood Manufacturing.....	20
Supply of Domestic Roundwood.....	20
Domestic Production of Wood Products.....	20
Value of Domestic Construction Orders By Type of Construction.....	21
Building Construction Permits by Structure	22
Building Construction Permits by Use	22
Housing Starts per Type.....	22
Import of Wood Frame Housing per Country	23
Value of Total Forest Product Imports	23
Value of Total Forest Product Imports for Jan.- Apr.	23
Volume of Forest Product Imports.....	24
Imports of Wood Products by Country	24
Country	24
SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING	25
Production	25
Forest Situation/Outlook	25
Solid Wood Products Situation/Outlook	25
Trade	25
Overview/Outlook.....	25
Competition.....	26
Market Development Strategies.....	26
MARKET SEGMENT ANALYSIS	27
Construction Sector	27
Overview	27
Marketing	27

Policy.....	28
Trade	28
Furniture & Interiors Sector.....	29
Overview	29
Marketing	29
Trade	29
Material Handling Industry	30
Overview	30
Policy.....	30
Tariff	30

SECTION I. SITUATION AND OUTLOOK

The Bank of Korea forecasts that the GDP growth rate will be 5 percent in 2004 compared to 3.1 percent in 2003. Even though international and domestic uncertainty dampened economic growth in 2004, the continued increase of export keeps the forecast of economic growth relatively unchanged. The combined external factors of China's tightened economic policy, the increase of U. S. interest rate and high world oil prices has dampened prospects for Korean economic growth. The strengthening of the Korean currency on the nation's export-driven economy worsens consumers' pessimistic sentiment about the local market. Strong government intervention to curb the speculative housing market further discourages Korean economic recovery. In turn, building starts for the first four months in 2004 declined sharply, by 40 percent, to 82,158 units from last year's 136,758 units.

The government recently unveiled a 2 trillion Korean Won (US\$1.7 billion) plan to help boost the beleaguered construction industry in the second half of the year. The fund would be used to build more rental housing units and to provide civil overhead capital investment for irrigation and water usage and land development.

The general domestic sector economic slowdown has weakened demand for wood products as indicated by reports that the Korean lumber processing industry has slowed operations. However, the panel products industry remains active, operating an average 98 percent of total capacity. In 2004, the panel industry is expected to increase its total capacity due to greater demand for medium density fiberboard (MDF) from the furniture and interior sectors, while the capacity for plywood production will decrease.

Demand for U. S. wood products remained sluggish due to the decline in domestic consumption and continued offshore relocation of Korean wood industry production facilities (including furniture, musical instruments, builders carpentry and joinery and, increasingly, flooring). The government legislation on indoor air quality, along with consumers growing concern about the safety of housing materials, also had a profound impact on the consumption of veneer. Demand for veneer plummeted after a negative report on "Sick House Syndrome" aired on TV in July 2003.

Despite near-term weakness of demand, over the next 3-5 years, the import volume of wood products is expected to increase in tandem with expectations that the Korean economy will continue to expand. One area expected to show particularly good growth is the repair and remodeling market for existing buildings. Regulations to curb the destruction of old apartment complexes will encourage repair and remodeling of old buildings instead of demolition and reconstruction. The Korea Remodeling Association projects the 2004 remodeling market at US\$11.4 billion (equivalent to Korean Won 13.3 trillion), up 7 percent from last year. The repair and remodeling market is expected to continue to grow at roughly 6-8 percent annually through 2010.

The Korean forestry administration estimates that the 2004 (calendar year) consumption of wood products will reach 28.3 million cubic meters (CUM) (round-wood basis), composed of 26.5 million CUM of imported wood products and 1.79 million CUM of local wood products. Total imports in 2004 are projected at 7.1 million CUM of logs and 19.4 million CUM of lumber and processed wood products in round-wood equivalent.

After an extended joint effort by the American Forest & Paper Association (AF&PA)/Seoul, FAS/Seoul, the Korean Wood Construction Association (KWCA), the Korea Forest Service (KFS) and the Korea Forest Research Institute (KFRI) to revise the Korean standard for the assemblies of wood frame structures (KSF1611) since 1991, on May 28, 2004 the Ministry of Construction and Transportation (MOCT) announced its "proposal (draft)" to recognize wood

assemblies as fire resistant and incorporate that determination into the National Building Code. The comment gathering process for this proposal ended June 17, 2004. After reviewing the comments and undergoing review by other relevant government agencies, the MOCT is expected to publish the final rules in October 2004. The proposed revision to the standard allows wood frame construction in multi-family structure of up to three stories.

SECTION II. STATISTICAL TABLES

Strategic Indicator Tables

FOREST PRODUCT

STRATEGIC INDICATOR TABLES FOR (KOREA)

(Please do not add/delete rows or columns -- note and other info must be added below row 110 -- thank you!)

CONSTRUCTION MARKET

Country: Korea	Previous	Current	Following
Report Year: 2004	Calendar Year	Calendar Year	Calendar Year
Total Housing Starts (thousand units)	585	350	500
--of which, wood frame (thousand units)	2	2	3
--of which, steel, masonry, other materials (thousand units)	583	348	497
--of total starts, residential (thousand units)	585	350	500
---of residential, single family (thousand units)	42	30	50
---of residential, multi-family (thousand units)	543	320	450
--of total starts, commercial (thousand units)	585	350	500
Total Value of Commercial Construction Market (\$US mil)	85,730	76,000	80,000
Total Value of Repair and Remodeling Market (\$US million)	10,400	11,400	13,000

FURNITURE & INTERIORS MARKET

Country: Korea	Previous	Current	Following
Report Year: 2004	Calendar Year	Calendar Year	Calendar Year
Total Housing Starts (number of units)	585,382	350,000	500,000
Total Number of Households	15,160,000	15,400,000	15,660,000
Furniture Production (\$US million)	4,200	4,300	4,500
Total Furniture Imports (\$US million)	655	750	850
Total Furniture Exports (\$US million)	298	350	400
Interiors Market Size (\$US million)	4,689	4,000	4,500

MATERIAL HANDLING MARKET

Country: Korea	Previous	Current	Following
Report Year: 2004	Calendar Year	Calendar Year	Calendar Year
Total Value of Industrial Output (\$US million)	420	430	450
New Pallet Production (million units)	13	14	15

FOREST AREA**Country: Korea****Report Year: 2004**

	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Land Area (million hectares)	10	10	10
Total Forest Area (million hectares)	6	6	6
--of which, Commercial ('000 hectares)	4,964	4,972	4,980
---of commercial, tropical hardwood ('000 hectares)	0	0	0
---of commercial, temperate hardwood ('000 hectares)	1,687	1,695	1,700
---of commercial, softwood ('000 hectares)	2,667	2,650	2,650
Forest Type			
--of which, virgin ('000 hectares)	3,606	3,598	3,590
--of which, plantation ('000 hectares)	2,300	2,300	2,300
--of which, other commercial (regrowth) ('000 hectares)	500	500	500
Total Volume of Standing Timber (thousand cubic meters)	466,952	487,000	500,000
--of which, Commercial Timber ('000 cum)	391,601	405,000	420,000
Annual Timber Removal ('000 cum) 1/	1,740	1,791	1,830
Annual Timber Growth Rate ('000 cum)	21,000	21,000	21,000
Annual Allowable Cut ('000 cum)	1,283	1,300	1,300

1/ If Removals exceeds growth rate, analyze impact in text.

WOOD PRODUCTS SUBSIDIES**Country: Korea****Year of Report: 2004**

	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Solid Wood Export Subsidy Outlay (\$US million)	none	none	none
Is there a ban on the export of logs, lumber, or veneer? 1/	none	none	none
Are there export taxes (yes/no)? 2/	none	none	none
Total Wood Production Subsidy (\$US million)	none	none	none
Scope (thousands of hectares)	none	none	none
Are there other wood products export expansion activities? 1/	none	none	none

1/ If yes, describe in report.

2/ If yes, identify in Tariff and Tax Strategic Indicator Table.

FOREST PRODUCT TARIFFS AND TAXES (percent)						
Country: Korea						
Report Year: 2004						
	Product Description 1/	Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees	Total Cost of Import 2	Export Tax
4401	Wood Chips, fuel wood 3/	2	2	12		na
4403	Roundwood 4/	2	2	12		na
4404	Sticks etc	5	5	12		na
4405	Wood wool	5	5	12		na
4406	Railway ties	5	5	12		na
4407	Lumber	5	5	12		na
4408	Veneer 5/	5	5	12		na
4409	Finished Lumber	8	8	12		na
4410	Particle board	8	8	12		na
4411	Fiberboard	8	8	12		na
4412	Plywood 6/	8	8	12		na
4413	Densified wood	8	8	12		na
4414	Wooden frames	8	8	12		na
4415	Packing cases	8	8	12		na
4416	Casks	8	8	12		na
4417	Tools	8	8	12		na
4418	Builders' joinery	8	8	12		na
4419	Tableware/Kitchenware	8	8	12		na
4420	Wood marquetry	8	8	12		na
4421	Other articles of wood	8	8	12		na
4422	na	na	na	12		na
4423	na	na	na	12		na
4424	na	na	na	12		na
4425	na	na	na	12		na
Pre-fabricated Houses, a subsection under chapter 96		8	8	12		na

1/ Insert additional lines for Commodity tariff identification should tariffs vary within the four-digit designation for major products exported by the U.S. (e.g., 4412.19: softwood plywood 3%, 4412.XX: other plywood, 9%).

2/ Calculate as tariff plus other import taxes/fees assuming a commodity value of \$100.

3/ Quota tariff reduced to one percent for wood chips (for pulp).

4/ Tropical hardwood log is at 1 percent. Quota tariff reduced to zero percent for all imported logs.

5/ Quota tariff reduced to 3 percent for veneer thicker than 0.5 mm within 310,000 CUM, veneer of laminated wood is at 8 percent.

6/ Adjusted tariff increased to 13 percent for thicker than 6 mm.

Source: Korea Customs Service (KCS), Agricultural Affairs



Fortab~2.wk4

PS&D Tables and Trade Matrices

Temperate Hardwood Logs PSD

PSD Table

Country	Korea, Republic of						UOM
	Temperate Hardwood Logs						
Commodity	2003	Revised	2004	Estimate	2005 Forecast	1000 CUBIC METERS	
	USDA Official [Estimate [NA Official [Estimate [NA Official [Estimate [New]	01/2003		01/2004		01/2005 MM/YYYY	
Production	600	632	640	650	0	700	1000 CUBIC METERS
Imports	200	180	200	220	0	220	1000 CUBIC METERS
TOTAL SUPPLY	800	812	840	870	0	920	1000 CUBIC METERS
Exports	0	0	0	0	0	0	1000 CUBIC METERS
Domestic Consumption	800	812	840	870	0	920	1000 CUBIC METERS
TOTAL DISTRIBUTION	800	812	840	870	0	920	1000 CUBIC METERS

Import Trade Matrix- Temperate Hardwood Logs

Import Trade Matrix

Country	Korea, Republic of	
Commodity	Temperate Hardwood Logs	
Time period	JAN/DEC	Units: 1,000 CUM
Imports for:	2002	2003
U.S.	32	34
Others		
Russia	19	15
Papua New Guinea	70	45
Solomon Is.	54	51
China	4	2
		Malaysia 20
Total for Others	147	133
Others not Listed	47	13
Grand Total	226	180

Tropical Hardwood Logs PSD

PSD Table

Country Commodity Market Year Begin	Korea, Republic of Tropical Hardwood Logs						UOM
	2003		2004		2005		
	Official	Estimate	Official	Estimate	Official	Estimate	
	01/2003	01/2004	01/2005	MM/YYYY			
Production	0	0	0	0	0	0	1000 CUBIC METERS
Imports	350	434	300	450	0	450	1000 CUBIC METERS
TOTAL SUPPLY	350	434	300	450	0	450	1000 CUBIC METERS
Exports	0	0	0	0	0	0	1000 CUBIC METERS
Domestic Consumption	350	434	300	450	0	450	1000 CUBIC METERS
TOTAL DISTRIBUTION	350	434	300	450	0	450	1000 CUBIC METERS

Import Trade Matrix- Tropical Hardwood Logs

Import Trade Matrix

Country	Korea, Republic of	
Commodity	Tropical Hardwood Logs	
Time period	JAN/DEC	Units:
Imports for:	2002	1,000 CUM
U.S.	0	U.S. 2003
Others		Others 0
Solomon Is.	112	Solomon Is. 167
Malaysia	152	Malaysia 125
Papua New Guinea	105	Papua New Guinea 116
Total for Others	369	408
Others not Listed	42	26
Grand Total	411	434

Softwood Logs PSD

PSD Table

Country Commodity	Korea, Republic of Softwood Logs						UOM
	2003		2004		2005		
	Official	Estimate	Official	Estimate	Official	Estimate	
	USDA	USDA	USDA	USDA	USDA	USDA	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Production	1143	1108	1260	1150	0	1200	1000 CUBIC METERS
Imports	7500	6579	7600	6600	0	6700	1000 CUBIC METERS
TOTAL SUPPLY	8643	7687	8860	7750	0	7900	1000 CUBIC METERS
Exports	0	0	0	0	0	0	1000 CUBIC METERS
Domestic Consumption	8643	7687	8860	7750	0	7900	1000 CUBIC METERS
TOTAL DISTRIBUTION	8643	7687	8860	7750	0	7900	1000 CUBIC METERS

Import Trade Matrix - Softwood Logs

Import Trade Matrix

Country	Korea, Republic of	
Commodity	Softwood Logs	
Time period	JAN/DEC	Units:
Imports for:	2002	2003
U.S.	195	U.S. 331
Others		Others
New Zealand	4710	New Zealand 4087
Russia	1499	Russia 1449
Australia	712	Australia 526
Canada	130	Canada 167
Chile	148	Chile 6
Total for Others	7199	6235
Others not Listed	20	13
Grand Total	7414	6579

Value of Logs Imports per Country

Korea: Value of Logs Imports per Country					
Unit: 1,000 US\$					
Country	2001	2002	2003	2003(1-4)	2004(1-4)
United States	75,692	81,920	94,499	31,345	34,954
New Zealand	238,981	268,572	276,186	89,858	120,053
Russia	98,096	100,285	103,507	30,798	44,787
Malaysia	25,713	25,068	22,145	7,240	6,867
Papua New Guinea	24,6411	18,129	17,161	6,388	8,837
Chile	1,021	9,827	490	0	7,308
Australia	23,423	44,010	35,112	12,273	20,696
Solomon Is.	16,265	15,638	23,300	7,832	10,952
Others	32,494	34,024	37,994	12,753	16,440
Total	536,326	597,473	610,394	198,487	270,804

Source: Korea Customs Service

Temperate Hardwood Lumber PSD

PSD Table

Country Commodity Market Year Begin	Korea, Republic of Temperate Hardwood Lumber						1000 CUBIC METERS UOM
	2003	Revised	2004	Estimate	2005 Forecast		
	USDA Official [	Estimate [	NA Official [	Estimate [	NA Official [	Estimate [New]	
	01/2003		01/2004		01/2005	MM/YYYY	
Production	60	53	55	64	0	64	1000 CUBIC METERS
Imports	140	118	100	120	0	120	1000 CUBIC METERS
TOTAL SUPPLY	200	171	155	184	0	184	1000 CUBIC METERS
Exports	5	5	5	5	0	5	1000 CUBIC METERS
Domestic Consumption	195	166	150	179	0	179	1000 CUBIC METERS
TOTAL DISTRIBUTION	200	171	155	184	0	184	1000 CUBIC METERS

Import Trade Matrix- Temperate Hardwood Lumber

Import Trade Matrix

Country	Korea, Republic of	
Commodity	Temperate Hardwood Lumber	
Time period	JAN/DEC	Units: 1,000 CUM
Imports for:	2002	2003
U.S.	40	U.S. 36
Others		Others
China	51	China 45
Indonesia	28	Indonesia 13
Canada	9	Canada 8
Malaysia	6	Malaysia 7
Total for Others	94	73
Others not Listed	10	9
Grand Total	144	118

Hardwood Lumber Imports From U. S.

Korea: Hardwood Lumber Imports From the U. S. (CUM and US\$ Thousand)						
Species	2001		2002		2003	
	Volume	Value	Volume	Value	Volume	Value
Oak	10,124	6,887	10,970	7,320	8,102	5,881
Maple	11,655	8,416	11,245	8,596	6,270	5,026
Poplar	1,214	611	963	458	377	192
Basswood	640	631	510	576	40	32
Ash	3,308	2,051	9,400	4,329	18,304	8,669
Walnut	610	824	604	813	695	1,000
Other	11,071	8,641	6,399	4,483	2,065	1,579
Total	35,522	26,638	40,091	26,575	35,853	22,379

Source: Korea Customs Service (KCS)

Temperate Hardwood Lumber Imports From the U.S.

Korea: Temperate Hardwood Lumber Imports From the U. S. (CUM and US\$ Thousand)				
Species	2003(1-3)		2004(1-3)	
	Volume	Value	Volume	Value
Oak	2,220	1,478	1,570	1,131
Maple	2,120	1,653	840	785
Poplar	129	66	56	30
Basswood	0	0	0	0
Ash	3,371	1,794	7,067	2,549
Walnut	255	365	137	157
Other	750	502	663	510
Total	8,845	5,858	10,333	5,162

Source: Korea Customs Service (KCS)

Tropical Hardwood Lumber PSD

PSD Table

Country Commodity Market Year Begin	Korea, Republic of Tropical Hardwood Lumber							1000 CUBIC METERS UOM
	2003	Revised	2004	Estimate	2005 Forecast	UOM		
	USDA Official [	Estimate [A	Official [	Estimate [A	Official [	Estimate [New]	
	01/2003		01/2004		01/2005	MM/YYYY		
Production	75	148	70	116	0	110	1000 CUBIC METERS	
Imports	330	307	330	330	0	330	1000 CUBIC METERS	
TOTAL SUPPLY	405	455	400	446	0	440	1000 CUBIC METERS	
Exports	3	1	3	1	0	1	1000 CUBIC METERS	
Domestic Consumption	402	454	397	445	0	439	1000 CUBIC METERS	
TOTAL DISTRIBUTION	405	455	400	446	0	440	1000 CUBIC METERS	

Import Trade Matrix - Tropical Hardwood Lumber

Import Trade Matrix

Country	Korea, Republic of	
Commodity	Tropical Hardwood Lumber	
Time period	JAN/DEC	Units: 1,000 CUM
Imports for:	2002	2003
U.S.	0	0
Others		
Indonesia	201	169
Malaysia	125	126
		Papua New Guinea 4
Total for Others	326	299
Others not Listed	14	8
Grand Total	340	307

Source: Korea Customs Service (KCS)

Softwood Lumber PSD

PSD Table

Country	Korea, Republic of						UOM
	Softwood Lumber						
Commodity	2003	Revised	2004	Estimate	2005 Forecast	1000 CUBIC METERS	
	Market Year Begin	01/2003	01/2003	01/2004	01/2004	01/2005	MM/YYYY
Production	5160	4209	5200	4200	0	4300	1000 CUBIC METERS
Imports	300	285	350	350	0	400	1000 CUBIC METERS
TOTAL SUPPLY	5460	4494	5550	4550	0	4700	1000 CUBIC METERS
Exports	10	7	10	7	0	7	1000 CUBIC METERS
Domestic Consumption	5450	4487	5540	4543	0	4693	1000 CUBIC METERS
TOTAL DISTRIBUTION	5460	4494	5550	4550	0	4700	1000 CUBIC METERS

Import Trade Matrix- Softwood Lumber

Import Trade Matrix

Country	Korea, Republic of	
Commodity	Softwood Lumber	
Time period	JAN/DEC	Units: 1,000 CUM
Imports for:	2002	2003
U.S.	5	4
Others		
Canada	65	81
New Zealand	78	57
Chile	40	52
Russia	62	49
Brazil	21	12
China	10	10
		Sweden 7
Total for Others	276	268
Others not Listed	20	13
Grand Total	301	285

Source: Korea Customs Service (KCS)

Softwood Lumber Imports From the U.S.

Korea: Softwood Lumber Imports From the U. S. (CUM and US\$ Thousand)						
Species	2001		2002		2003	
	Volume	Value	Volume	Value	Volume	Value
Cedar	3,011	1,868	1,100	820	81	14
Douglas Fir	771	174	100	36	98	37
Whitewood or Fir	652	263	516	226	106	75
Spruce	3,935	3,751	2,435	2,470	2,535	1,967
Other	885	1,022	677	1,119	900	776
Total	9,540	7,657	4,828	4,608	3,720	2,889

Source: Korea Customs Service (KCS)

Softwood Lumber Imports From the U. S. for Jan. – Mar.

Korea: Softwood Lumber Imports From the U. S. for Jan. – Mar. (CUM and US\$ Thousand)				
Species	2003 (1-3)		2004 (1-3)	
	Volume	Value	Volume	Value
Cedar	0	0	91	21
Douglas Fir	41	21	38	25
Whitewood or Fir	37	13	101	16
Spruce	307	314	631	349
Other	238	237	266	49
Total	623	585	1,127	460

Source: Korea Customs Service (KCS)

Value of Lumber Imports per Country

Korea: Value of Lumber Imports per Country (Unit: 1,000 US\$)			
Country	2002	2003	2004 (1-3)
United States	31,320	25,414	5,642
Malaysia	33,293	28,858	7,566
Indonesia	76,439	61,072	14,278
Chile	7,391	8,800	4,050
China	26,145	24,798	5,646
New Zealand	8,433	7,260	2,236
Canada	21,840	24,450	8,120
Brazil	10,555	6,725	1,350
Others	14,519	18,091	4,902
Total	233,322	205,468	53,790

Source: Korea Customs Service (KCS)

Veneer PSD

PSD Table

Country Commodity	Korea, Republic of Hardwood Veneer						1000 CUBIC METERS UOM
	2003	Revised	2004	Estimate	2005 Forecast		
	USDA Official [	Estimate [A	Official [E	Estimate [A	Official [E	Estimate [New]	
	Market Year Begin	01/2003		01/2004		01/2005 MM/YYYY	
Production	0	0	0	0	0	0	1000 CUBIC METERS
Imports	350	333	360	360	0	360	1000 CUBIC METERS
TOTAL SUPPLY	350	333	360	360	0	360	1000 CUBIC METERS
Exports	0	0	0	0	0	0	1000 CUBIC METERS
Domestic Consumption	350	333	360	360	0	360	1000 CUBIC METERS
TOTAL DISTRIBUTION	350	333	360	360	0	360	1000 CUBIC METERS

Note: Included softwood veneer in import data.

Import Trade Matrix- Veneer

Import Trade Matrix

Country	Korea, Republic of	
Commodity	Hardwood Veneer	
Time period	JAN/DEC	Units: 1,000 CUM
Imports for:	2002	2003
U.S.	10	9
Others		
Malaysia	303	236
China	13	18
Papua New Guinea	42	53
EU	4	4
Chile	6	
Total for Others	368	311
Others not Listed	12	10
Grand Total	390	330

Note: Included softwood veneer.
Source: Korea Customs Service (KCS)

Value of Veneer Imports per Country

Korea: Value of Veneer Imports per Country				
Unit: 1,000 US\$				
Country	2001	2002	2003	2004 (1-3)
United States	13,478	17,223	12,757	2,674
Malaysia	44,352	48,662	36,802	6,895
Chile	1,639	1,104	124	10
Brazil	1,513	224	299	140
China	13,006	21,101	24,954	6,702
EU	11,465	11,313	9,079	1,152
Papua New Guinea	885	5,021	6,269	3,440
Canada	2,495	2,355	2,739	413
Others	4,263	5,163	6,383	1,296
Total	93,096	112,166	99,406	22,722

Include the value of softwood veneer.

Source: Korea Customs Service

Other Tables

Economic Growth Rate

Korea: Economic Growth Rate (%)						
Item	2002	2003				2004
		1/4	2/4	3/4	4/4	
GDP	6.3	3.7	2.2	2.4	3.9	5.3
GNI	4.9	0.5	1.5	2.1	3.0	4.6

Source: Ministry of Finance and Economy

Operation Rate of Wood Manufacturing

Korea: Operation Rate of Wood Manufacturing (%, In average)			
Item	2002	2003	2004(1-3)
All Manufacturing	76.9	78.3	81.5
Wood Manufacturing	106.6	105.9	109.1

Note: Operation indicator is 100 in 2000.

Source: National Statistical Office (NSO)

Supply of Domestic Roundwood

Korea: Supply of Domestic Roundwood (1,000 CUM)				
Year	Pit props	Pulp	Lumber/Board/Other	Total
1997	104	367	591	1,062
1998	110	406	912	1,428
1999	117	410	1,167	1,694
2000	112	552	928	1,592
2001	140	366	1,027	1,533
2002	58	373	1,174	1,605
2003	63	449	1,228	1,740
2004 1/	65	498	1,228	1,791

1/ Projected by the government.

Source: Korea Forestry Administration

Domestic Production of Wood Products

Korea: Domestic Production of Wood Products (1,000 CUM)			
Items	2001	2002	2003
Softwood Lumber	4,330	5,045	4,209
Tropical Hardwood Lumber	77	83	148
Temperate Hardwood Lumber	90	66	53
Sub Total, Lumber	4,497	5,194	4,410
Plywood	736	824	834
Fiberboard (MDF)	1,019	1,236	1,318
Particle board	723	728	794
Grand Total	6,975	7,982	7,356

Source: FAS Seoul, Korea Wood Panel Association

Value of Domestic Construction Orders By Type of Construction

Korea: Value of Domestic Construction Orders By the Type of Construction (Billion Korean Won)			
Sector	2002	2003	Changes (%)
Building, subtotal	46,505	60,027	29
-Dwelling	31,002	43,195	39
-Office & Stores	8,784	8,508	-3
-Factory & Storage	2,190	3,604	65
-Public Office 1/	3,175	3,311	4
-Others	1,354	1,409	4
Civil Engineering, Subtotal	21,187	22,900	8
-Forestry Conservancy& Water Control	423	690	63
-Agriculture & Fisheries	348	437	26
-Roads & Bridge	9,145	7,612	-17
-Harbours & Airports	1,438	2,001	39
-Railways & Track	3,384	3,279	-3
-Water Supply & Sewage	1,047	1,621	55
-Generation of Electricity 2/	1,303	3,127	140
-Land Development 3/	1,340	1,816	36
-Dams	150	121	-19
-Installation of Machinery	1,882	1,192	-37
-Others	727	1,004	38
Other Construction, subtotal	141	147	4
Grand Total	67,833	83,074	22

1/ Include schools and hospitals

2/ Include transmission, transformation and distribution

3/ Include gardens and grounds

Source: National Statistical Office (NSO)

Building Construction Permits by Structure

Korea: Building Construction Permits by Structure (Floor area, Thousand Square meters)					
Year	Total	Ferro- Concrete	Brick & Stone	Wooden	Others
1996	113,820	101,940	7,193	131	4,557
1997	113,374	104,214	5,105	173	3,881
1998	50,965	46,701	1,889	113	2,263
1999	72,534	66,192	2,340	142	3,858
2000	81,059	75,292	2,056	178	3,532
2001	97,717	91,562	2,056	181	3,919
2002	138,734	136,222	2,074	171	268
2003	142,108	139,965	1,759	373	11
2004(Jan-Mar)	23,621	22,992	457	172	0

Source: Ministry of Construction and Transportation (MOCT)

Building Construction Permits by Use

Korea: Building Construction Permits by Use (Floor area, Thousand Square meters)						
Year	Total	Dwelling	Commercial	Factory	Educational & Social	Other
1996	113,820	61,062	26,862	11,921	6,289	7,682
1997	113,374	62,677	27,918	8,796	6,603	7,379
1998	50,965	31,156	8,753	2,796	3,983	4,279
1999	72,534	44,606	11,746	7,824	4,478	3,882
2000	81,059	41,283	18,882	11,646	5,126	4,121
2001	97,717	47,856	25,888	43,538	5,534	4,901
2002	138,734	57,320	49,862	15,366	7,489	8,697
2003	142,108	62,128	45,809	14,738	7,919	11,513
2004(Jan-Mar)	23,621	7,765	7,708	3,635	1,787	2,728

Source: Ministry of Construction and Transportation (MOCT)

Housing Starts per Type

Korea: Housing Starts per Type (Unit)					
Year	Total	Apartment	Single Family	Tenement	Row House
1997	596,435	484,949	52,948	19,219	39,319
1998	306,031	262,879	23,773	7,363	12,016
1999	404,715	345,345	33,772	7,640	17,958
2000	433,488	331,579	34,777	10,242	56,890
2001	529,854	267,401	49,454	8,592	204,407
2002	666,541	384,692	53,323	7,963	220,563
2003	585,382	468,763	42,173	6,265	68,181
2004 (Jan-Apr) 1/	82,158	62,500	11,450	1,042	7,166

1/ MOCT sets the CY 2004 goal for new housing starts at 520,000 units

Source: Ministry of Construction and Transportation

Import of Wood Frame Housing per Country

Korea: Import of Wood Frame Housing per Country (Unit: 1,000 US\$ on a CIF basis)					
Country	2001	2002	2003	2003 (Jan-Apr)	2004 (Jan-Apr)
United States	1,830	2,047	1,300	632	0
Canada	1,401	1,882	1,577	417	702
Finland	1,165	1,914	1,938	507	299
Sweden	0	240	5	0	26
New Zealand	24	27	17	17	0
Australia	49	158	30	6	0
Russia	73	361	94	0	54
EU	362	66	81	0	64
Others	141	93	184	79	12
Total	5,045	6,788	5,226	1,652	1,157

Source: Korea Customs Service

Value of Total Forest Product Imports

Korea: Value of Total Forest Product Imports (US\$ Million on a CIF)						
Description (H.S. No.)	From the World			From the United States		
	2002	2003	%	2002	2003	%
Chips (4401)	65	74	14	11	7	-36
Logs (4403)	597	610	2	82	95	16
Lumber (4407)	233	206	-12	31	25	19
Veneer (4408)	112	99	-12	17	13	-24
Finished Lumber (4409)	34	38	12	0.5	0.8	60
Particle Board (4410)	110	78	29	0.3	1	33
Fiberboard (4411)	146	109	-25	3	0.4	-87
Plywood (4412)	383	417	9	1.2	1.3	8
Door and Windows (4418)	44	36	18	2.4	2.8	17
Other Articles of Wood	102	103	1	2.6	1.7	-35
Total	1,826	1,770	-3	151	148	-2

Source: Korea Customs Service (KCS)

Value of Total Forest Product Imports for Jan. - Apr.

Korea: Value of Total Forest Product Imports for Jan.- Apr. (US\$ Million on a CIF)						
Description (H.S. No.)	From the World			From the United States		
	2003	2004	%	2003	2004	%
Chips (4401)	27	25	-7	4	4	0
Logs (4403)	198	270	36	31	35	13
Lumber (4407)	68	70	3	8	8	0
Veneer (4408)	34	33	-3	4	3	-25
Finished Lumber (4409)	11	12	9	0	0.5	-
Particle Board (4410)	31	41	32	0.3	0.7	133
Fiberboard (4411)	40	29	-28	0.1	0.2	100
Plywood (4412)	148	144	-3	0.5	0.2	-60
Door and Windows (4418)	12	10	-17	0.8	0.3	-63
Other Articles of Wood	35	33	-6	1.3	1.1	-15
Total	604	667	10	50	53	6

Source: Korea Customs Service (KCS)

Volume of Forest Product Imports

Korea: Volume of Forest Product Imports (1,000 CUM)						
Description (H.S. No.)	From the World			From the United States		
	2001	2002	2003	2001	2002	2003
Chips (4401)	1,068	868	969	295	131	82
Logs (4403)	7,068	8,051	7,193	344	227	366
Lumber (4407)	784	785	710	50	45	40
Veneer (4408)	336	390	333	7	10	9
Finished Lumber (4409)	36	36	42	0	0.2	0.3
Particle Board (4410)	595	1,000	681	-	-	-
Fiberboard (4411)	491	807	582	5	13	1
Plywood (4412)	1,165	1,441	1,465	1	-	1
Door and Windows (4418)	21	28	23	1	1	0.1

1/ 1,000 Metric Tons

Note: Agricultural Affairs readjusted the number of logs and lumber based on the KCS' statistics.

Source: Korea Customs Service (KCS)

Imports of Wood Products by Country

Korea: Imports of Wood Products by Country (Million US\$, percent)						
Country	2001		2002		2003	
	Value	Share	Value	Share	Value	Share
USA	157	10.0	151	8.3	148	8.4
Indonesia	288	18.3	308	16.9	290	16.4
Malaysia	234	14.9	252	13.8	244	13.8
New Zealand	254	16.2	287	15.7	295	16.7
China	176	11.2	229	12.5	226	12.8
Russia	103	6.6	109	6.0	112	6.3
Australia	70	4.5	84	4.6	69	3.9
Canada	36	2.3	67	3.7	89	5.0
Papua New Guinea	26	1.7	24	1.3	24	1.4
Thailand	39	2.5	40	2.2	26	1.5
EU	54	3.4	97	5.3	108	6.1
Chile	16	1.0	26	1.4	16	0.9
Brazil	13	0.8	4	0.2	15	0.8
Others	93	5.9	131	7.2	108	6.1
TOTAL	1,571	100	1,826	100	1,770	100

Source: Korea Customs Service

SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING**Production****Forest Situation/Outlook**

Total forest area, about 6.412 million hectares (HA), accounts for 64.4 percent of the total land area of South Korea. Korean forests are located predominantly in the cool-temperate zone across the nation with a small section in the warm-temperate zone along the southern coast.

Most of the domestic growing stock is around 20-40 years old with the greatest production made up of coniferous trees. Small diameter logs (below 30 centimeters) represent 97 percent of total log production. Because timber quality is low and the majority of trees are of small diameter, domestic roundwood is primarily processed into pit prop, lumber for crates, fiberboard, and wood chips for pulping.

The 2004 roundwood harvest is projected at 1.8 million CUM. Softwoods comprise 60 percent of the harvest, followed by temperate hardwoods at 40 percent. For 2005, the outlook for domestic roundwood production is 1.83 million CUM, with softwoods (60 percent) and temperate hardwoods (40 percent) maintaining the dominant species harvested. With proper management, the Korean government projects that sustainable domestic production could satisfy more than 50 percent of total demand by the 2030's.

Solid Wood Products Situation/Outlook

In 2003, the panel products industry remained active, operating an average 98 percent of total capacity (3 million CUM), which was composed of 97 percent of capacity in plywood, 95 percent in particleboard, and 101 percent in MDF.

In 2004, the panel industry is expected to increase total capacity due to greater demand of MDF for furniture and interior uses, while the capacity for plywood will decrease because one plywood processor plans to close a line for plywood production the second half of the year. However, strong local production of particleboard and MDF could partly offset the demand for imports of those products. The Korea Wood Panel Association predicts that 2004 production of panel products will increase at least 10 percent relative to last year.

Trade**Overview/Outlook**

In the first four months of 2004, total wood product imports increased to US\$667 million, up 10 percent over the same period of 2003, due to a sharp increase in logs imported from Russia. Given the current high inventory level of logs due to the slow construction sector, importers are expected to reduce log imports for the remainder of 2004. Imports from the United States increased by 6 percent in value for the period due to increased imports of logs and particle board. Given the pace of the first four months, imports of flooring are forecast at over \$1.4 million by the end of the year, compared with \$806,000 in 2003. Combined imports of hardwood logs, lumber and veneer all dropped considerably during the first quarter.

In 2003, Korean imports of wood products decreased to US\$1.77 billion, down 3 percent from the previous year, due to the lack of demand from the housing and construction sectors. Imports of logs and lumber were limited by substitution of panel products made of veneer, particle board and MDF to meet demand from the interior and furniture industries.

U.S. exports to Korea decreased, down 2 percent from the previous year, due to more attractive log and panel product prices from Southeast Asia, New Zealand, Chile and Russia.

In 2004, U.S. softwood lumber exports to Korea are expected to continue declining, being down 21 percent in the first quarter relative to the same period of 2003 due to price competition from alternative suppliers. In 2003, U.S. export of softwood lumber sharply declined to US\$4.6 million, down 37 percent from the previous year, while the quantity decreased by 23 percent. Cedar, Whitewood and Spruce lumber marked the main decreases.

A local building material distributor imported U. S. Southern Yellow Pine (SYP) lumber since last year. In spite of its high quality and strength, the demand for SYP lumber remains sluggish mainly due to expensive price. However, the outlook for SYP is optimistic in line with increasing Korean consumer demand for high quality products. Heat treatment requirement on packaging lumber by the International Plant Protection Committee's (IPPC) rule is also expected to increase demand for SYP lumber.

Competition

Korean imports of all wood products in 2003 dropped 3.1 percent from 2002 to \$1,770 million, due to slowed economy growth. U. S. product imports decreased by 2.4 percent to \$148 million. The U.S. share of the Korean wood products import market continued to remain at 8.3 percent in 2003. Korea has to continue to import about 95 percent of its total consumption of wood products because of limited local forest resource. In order to meet this demand, Korea imports wood products from over 50 countries of which ten major countries, including the U.S., Indonesia, Malaysia, New Zealand, China and Russia, dominate the Korean market. The combined market share of the top ten accounted for 89 percent of total Korean imports in 2003. However, the U.S. remained the 5th largest supplier in 2003, followed by China.

Market Development Strategies

In addition to the slowing economy, government intervention to eliminate speculation in the housing market has continued limiting the overall size of the domestic construction market since October 2003. In an effort to curb the rampant construction of pension housing, the government announced that the construction of pension house for lodging facilities, having more than 7 guest rooms, will be subject to a tax effective July 1, 2004 but postponed implementation to next year. However, the measure is likely to have a profound impact on 2x4 wood house construction, which has led wood house construction growth in recent years.

Remodeling and reconstruction of old buildings have led to greater demand for hardwood veneer laminated products by developers who are increasingly using veneer-based wood products to reduce construction costs. Their use of veneer-based products has generated demand for particleboard and MDF for interior accessories, such as kitchen cabinets, doors, window and interior trimmings. However, a new government regulation stipulating that new apartment sites with over 100 units are required to make public information on the level of indoor air quality, negatively impacts consumption of veneer-based wood products.

MARKET SEGMENT ANALYSIS

Construction Sector

Overview

The construction sector has been driven by demand from the infrastructure projects undertaken by the government and housing construction projects by both the public and private sectors. Total investment for infrastructure projects is estimated at US\$170 billion for the next 15–20 years to meet Korean national needs. Concurrently the Korean housing sector is expected to construct roughly 550,000 new homes, worth US\$9.7 billion, annually. In 2003, eighty percent of the homes were in apartment complexes, thirteen percent in multi-family buildings and seven percent in single family houses.

Despite decreasing 12.2 percent from 2002, new housing starts in 2003 totaled 585,382 units exceeding the government target of 500,000. This came about in part due to increased high-rise apartment construction stimulated by speculative demand for apartments from consumers. However, in reaction the government revised regulations, which then called for consumers who own more than two housing units to pay a higher sales tax on their house transaction after the end October 2003. The government intervention cooled off the speculative housing market and has resulted in a sharp decline in housing construction during the first four months of 2004, down 40 percent from the same period of 2003. The drop in building starts indicates that new housing starts in 2004 may be less than the 520,000 unit government target.

Wood Frame Construction

Building permits for wood houses in 2003 dramatically increased to 1,993 units and 373,665 square meters, up 25 percent and 108 percent respectively. The number of housing starts, likewise, increased by 18 percent, to 1,595 units, and 92 percent in area, to 269,294 square meters. However, according to industry sources, the actual number of wood houses constructed were much greater than the government data indicates since smaller houses with less than 60 Pyong--one pyong is equivalent to 3.3 square meters--may not have been reported. The industry outlook for 2004 is very optimistic with expectation for another double digit growth in the wood frame housing market. In the first quarter of 2004, building permits for wood frame houses increased by 182 percent from the same period of 2003, while total building permits decreased 28 percent.

Construction of wood frame houses is expected to surge due to government decisions to allow construction of 300,000 low-rise apartments and single-family houses in the suburbs of Seoul over the next several years.

Seoul City has similarly announced a plan to develop a high-end single-family housing community downtown in Seoul. The area planned for the housing development was originally regulated as a green belt. Now, Seoul City has deregulated the area but limited construction to 526 single family homes, sized at around 45,000 Pyong (15,000 square meters). This development offers significant opportunities for 2x4 wood frame construction.

Marketing

Construction, which accounted for 17 percent of the country's economic GDP growth last year, has been hit hard by government policies to cool off the speculative housing market since October 2003. However, the government recently unveiled a 2 trillion Korean Won (US\$1.7 billion) plan to help boost the beleaguered construction industry in the second half of the year. The fund will be used to build more rental housing units and to provide civil overhead capital investment for irrigation and water usage and land development.

The American Forest and Paper Association (AF&PA) in Seoul has actively participated in annual exhibitions in Korea and East Asia to promote the consumption of U.S. wood products in Korea. Among other activities, AF&PA has educated Korean consumers about the benefits of using U.S. wood products in construction, interior and furniture uses through seminars, design fairs and housing fairs. However, the Carpenters Training Program ended, which AF&PA/Seoul had organized since 1996 as an annual two-week training program for Korean carpenters to improve their skill and knowledge of wood house construction. However, the Korean Wood Construction Association (KWCA), noting the value of the program, plans to continue the program with the technical support of AF&PA/Seoul.

Policy

After an extended joint effort by the American Forest & Paper Association (AF&PA)/Seoul, FAS/Seoul, the Korean Wood Construction Association (KWCA), the Korea Forest Service (KFS) and the Korea Forest Research Institute (KFRI) to revise the Korean standard wood frame structures (KSF1611) since 1991, on May 28, 2004 the Ministry of Construction and Transportation (MOCT) announced its "proposal (draft)" to recognize wood assemblies as fire resistant and incorporate that determination into the National Building Code. The comment gathering process for this proposal ended June 17, 2004. After reviewing the comments and undergoing review by other relevant government agencies, the MOCT is expected to publish the final rules in October 2004.

The Ministry of Environment (MOE) announced the Enforcement Regulation governing indoor air quality for new housing units in December 2003 and released the final rule "Official Testing Method of Indoor Air Quality", effective May 2004. The new regulation established the permissible level for 10 pollutant substances, including formaldehyde (HCHO) and total volatile organic compound (TVOC). The regulation requires construction companies that build apartment structures of more than 100 units to publicize the level of the restricted substance present in the indoor air quality. The 20-Liter Small Chamber Method will be main official testing method for HCHO and TVOC levels in building materials, including wall papers, paints, flooring materials, wood products and other building and design materials used for interior purposes, while the Decicator Method will be a supplementary testing method to measure the HCHO level of wood products.

In an effort to induce production of more environmentally friendly products, the MOE has introduced a certification system for building materials, effective February 1, 2004. The building materials subject to the certification include plywood, flooring, wall paper, panel products, paints and adhesives. The certification is a voluntary system but it is likely to put greater pressure on the manufacturers to produce more environmentally friendly products to meet the growing consumer demand.

Trade

Despite expanding wood house construction since 2002, imports of prepackaged homes decreased 30 percent in the first four months of this year relative to the same period of 2003, and 23 percent in 2003 from the previous year. With experience, local builders of wood frame house have diversified to buying individual wood-based building materials, such as lumber, window, doors, molding and panel, instead of prepackaged materials.

U.S. dimension lumber is not widely used in the wood frame housing market because the Korean market is centered on price. Canadian SPF, a mixed species of Spruce, Pine and Fir, is much more price competitive than U.S. dimension lumber, particularly given the exchange rate over the past year.

Local distributors have built up inventory of the most competitive wood products in their warehouses, such as dimension lumber and structural panel, like Oriented Strand Board

(OSB) from Canada, Chile and EU, red pine wall panel from Russia and walled panel and chemical treated decking products from Finland, Sweden and Canada to supply their anticipated future needs. A major Korean distributor has purchased a sawmill in Canada in order to process dimension lumber for the Korean market. In lieu of structural products, the U.S. has become a competitive supplier of wood-based building products, including door/window, molding and millworks.

Furniture & Interiors Sector

Overview

The furniture and interior sectors have traditionally been the largest users of hardwoods. Furniture industry contacts expect their market growth to continue limited this year. Weak consumer confidence has had a negative impact on the housing and furniture sectors under the sluggish economy. The interior and remodeling sectors have, likewise, not recovered. Building permits and housing starts for the first quarter of 2004 fell to 23,621,000 square meters and 20,867,000 square meters, down 25 percent and 20 percent respectively, from the same period of 2003.

The interior market has continued growing in line with strong consumer demand for interior decoration. However, the Interior Contractors Committee (ICC) forecasts the 2004 Korean interior market growth limited due to the slowdown in new housing construction and the shift toward reconstruction of old apartment buildings, a result of Korean government intervention since October 2003 to cool off the speculative housing market. The demand for U.S. hardwood products remains strong in this market but cheaper-priced composite wood products and tropical hardwood products have increasingly replaced hardwood lumber. Veneer has been increasingly used to make low-cost composite products for interior and furniture application.

Marketing

Korean demand for hardwood products has declined as furniture and musical instrument manufacturing facilities have moved offshore. Furniture manufacturing facilities remaining in Korea have continued to produce home furniture, such as sofa and dining tables, based on solid wood. They have also continued to produce office furniture and built-in home furniture based on composite panel products.

Furniture preferences of younger couples tend toward modern design made with lower priced panel products. Older consumers, conversely, prefer natural wood furniture, often in the form of imported medium and high quality furniture. Local manufacturers have substituted artificial coated paper for wood veneer to compete with lower priced furniture imported from the Southeast Asian countries.

In 2004, furniture industry sources expect people to change their living room environment with expansion of the 5-day work week in Korea, from the traditional 5 1/2-6 day week. This change is anticipated to have a major impact on Korean workers' life style and leisure time. Given the implication of the change, consumers are expected to purchase furniture decorated with natural color and antique style. The trend of interior design will follow the color and style of the furniture, centered on the tone of oak and maple in the concept of naturalism and "well-being".

Trade

As demand for hardwood lumber has been undermined by the substitution of solid wood with cheaper-priced composite and tropical wood products. In 2003, imports of U.S.

hardwood declined to US\$223.4 million, down 15 percent from 2002, due to the slowdown in the furniture industry. In 2004, U.S. exports of temperate hardwood lumber are expected to again decline, as trade data through the first quarter of 2004 indicated imports are down 12 percent from the same period of 2003. Increasing substitution of panel products for lumber for interior and furniture contributed to the reduction in imports of hardwood lumber. However, Korea has continued increasing the import of U.S. Ash lumber as a good replacement for soft maple and oak for the furniture and interior sectors as the slow economy in recent years forced companies to cut costs.

Korea has increased imports of medium and low quality furniture from offshore manufacturers in China due to the competitive price. Imports of high quality furniture tend to come from European countries. The trend toward increasing furniture imports suggests demand for hardwood products from in-country furniture manufacturers will decrease over time.

In 2003, the U.S. export value of temperate hardwood lumber declined to US\$22.4 million, down 15 percent from last year. The quantity also decreased by 10 percent. In 2004, the U.S. export value of temperate hardwood lumber is expected to decline further, in line with the 12 percent decrease observed in import number through the first quarter, while the quantity increased by 17 percent for the period. High substitution of panel products for lumber in interior furnishings and furniture construction has contributed to decreased imports of hardwood lumber.

Material Handling Industry

Overview

Annual pallet production is projected at 14 million units, worth about US\$239 million, for 2004. The Korea Pallet Association (KPA) expects pallet production in 2004 to be stable. Wood pallets account for roughly 65 percent of all pallets. Plastic pallets account for 30 percent and other pallets, such as metal and paper, comprise the remaining 5 percent.

Local pallet producers continue to increase production of plastic pallets, which have longer durability than wood and are less likely to result in damage caused by nails in wood pallets. The implementation of the IPPC rule on solid wood packaging materials is expected to further spur demand for plastic pallets among Korean exporters.

Policy

In accordance with the IPPC rules on imported softwood packaging materials (SWPM), the Korean National Plant Quarantine Service (NPQS) announced that it would enforce the quarantine formalities for solid wood packaging materials (SWPM) imported after June 1, 2004, but decided to delay the effective date to June 2005 at the request of the Korean industries. The products subject to the quarantine include pallets, crates, wooden boxes, etc., which are used for export packaging. After June 1, 2005, the SWPM should be accompanied by a certificate showing heat treatment for more than 30 minutes at 56° Celsius. For more information on the requirements, refer to the American Lumber Standard Committee website at www.alsc.org/WPM_summary_mod.htm and the National Hardwood Lumber Association website at <http://www.natlhardwood.org>. Click on "Heat Treatment".

Tariff

The Korea Trade Commission (KTC), which established the anti-dumping tariff ranging 11.49-97.27 percent against particleboard imports from Belgium, Spain and Italy, canceled the tariff at the request of the Korean furniture industry. The anti-dumping investigation had been conducted at the request of the Korean Board Manufacturers Association (KBMA). Spain had received the highest rate with 99.27 percent, followed by 50.15 percent imposed on Italian particleboard, while Belgium had the lowest of 11.49 percent. This action had a serious impact on imports from these countries and forced prices to increase. The biggest victim was the furniture industry that, as the largest consumer of particleboard, was severely hit by the price hike and tight supply. As a result, the KBMA supported the decision to cancel the anti-dumping regulations.

The South Korean Free Trade Agreement (FTA) with Chile, after a long delay, took effect April 1, 2004. The FTA is scheduled to eliminate tariffs on over 10,000 items imported from Chile over the next 10 years. The tariff elimination schedule for wood products will include 237 items in the 4401-4428 HS codes. Among the categories set for immediate tariff elimination will be 138 items, including wood chips, logs and veneer. Tariff elimination after 5 years for another 70 items will include lumber, particleboard and plywood (less than 6mm in thickness), while the remaining 29 items are scheduled for liberalization after 10 years. Among those categories are MDF and plywood (over 6mm). The full text and schedule of Korea-Chile FTA agreement are available at:

http://www.mofat.go.kr/ko/division/fta_new_9.mof

<http://www.mofat.go.kr/ko/division/data/KorTES.pdf>text here