



Trade

Background

The wood products industry in the U.S. is an important contributor to the U.S. economy, accounting for approximately 4 percent of the total U.S. manufacturing GDP; wood products companies are among the top ten manufacturing sector employers in 47 states, producing \$210 billion in products annually. The industry employs nearly 900,000 people; more than the automotive, chemicals and plastics industries. And most of them are in rural areas where employment opportunities are limited.

Hardwood is an important sub-sector of the wood products industry and has a heavy reliance on export markets for its survival. In 2017, U.S. hardwood producers shipped \$4.04 billion worth of U.S. products to global markets; \$2.09 billion to Greater China, including Hong Kong and Macau. Combined, China, the NAFTA countries and the E.U. make up 82% of hardwood exports. In 2017, the U.S. had a trade surplus of \$1.475 billion in hardwood lumber, up from \$1.1 billion in 2015. Dependable, long-term export markets are essential to the sustainability of the hardwood industry. It is vital that markets remain open for these businesses and the men and women they employ.

Issue

The 10-25% tariffs on U.S. exports (including hardwoods) proposed by China in retaliation to the proposed U.S. tariffs on \$200 billion in Chinese goods (on top of the already imposed tariffs on \$50 billion worth of Chinese imports and U.S. exports) will harm U.S. hardwood companies, workers and consumers by increasing domestic business costs and causing long term damage to international markets. Uncertainty in the market has rapidly driven market pricing of hardwoods down by 25-30%, causing severe market disruption and creating a life-threatening situation for many companies in terms of reduction of lumber, log and timber values. Hardwood export businesses are reporting decreased business sales, orders and operations of 30-60%, based only on just the threat of tariffs on hardwood and hardwood products. If this downward spiral continues, countless jobs will be lost, companies closed, and local economies depended on hardwood mill operations will erode. Even companies that may survive the loss of Chinese markets are projecting 40-50% reduction of workforce in rural areas with limited opportunities. The weakening of the Chinese currency and the strong U.S. dollar essentially amplifies the negative impacts of the Chinese tariffs on U.S. hardwood exports by about 10%. Official imposition of tariffs will have a severe and negative impact on our industry.

Hardwood Federation Position

The Hardwood Federation agrees that many of China's trade practices are detrimental to U.S. companies, workers, consumers and competitiveness, and despite the overall success of American hardwood in the Chinese market, some in our industry have suffered from these unfair trade practices. However, we are concerned with the continued implementation of wide-ranging, unfocused use of tariffs as a means of leverage against the Chinese and that this approach will result in limited success in changing Chinese practices. We urge the administration to fully identify its strategy to address the long-standing issues in China beyond the use of tariffs and to re-initiate trade negotiations at the earliest possible time.