

The Honorable Robert Lighthizer
United States Trade Representative
600 17th Street NW
Washington, DC 20508

RE: Request for Comments Concerning Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

Docket Number USTR-2018-0026

Dear Ambassador Lighthizer:

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, particularly in China, 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. As should be clear, dependable, long-term export markets are essential to the sustainability of the hardwood industry. In 2017, the U.S. had a trade surplus of \$1.475 billion in hardwood lumber, up from \$1.1 billion in 2015. It is vital that markets remain open for these businesses and the men and women they employ. The ongoing trade dispute with China and the impending tariffs on U.S. hardwood products is a serious threat the viability of the industry and the people it employs.

Although tariffs have not yet been officially imposed by either the U.S. or China, the mere speculation of tariffs has caused significant reductions in hardwood prices, sometimes re-negotiated while shipments are on the water headed for mainland China. 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.

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 that continued implementation of wide-ranging, unfocused use of tariffs as a means of leverage against the Chinese will only result in limited success in changing Chinese practices. Further, we fear the already imposed tariffs on \$50 billion worth of Chinese imports and the recently announced proposed tariffs on another \$200 billion in Chinese goods will harm U.S. companies, including those in the hardwood sector, workers and consumers by increasing domestic business costs and causing long term damage to international markets.

The U.S. Trade Representative's Section 301 Report on China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation correctly identified key issues that U.S. businesses face in China. We are concerned that the broad imposition of tariffs on the vast majority of Chinese goods, and the retaliatory tariffs imposed by China will have long term negative effects on the U.S. economy. The Administration should use the results of the report to consult closely with industry stakeholders, Congress and our allied trading partners to develop a joint approach to address these longstanding commercial issues within China. There are key areas of concern on which all parties can agree to jointly seek changes in Chinese policies. Only through extensive collaboration and alignment can the Administration develop and execute a strategic policy to effectively address our shared issues of critical concern in China. A continued escalation of a trade war will not benefit either country...or the global economy.

Many in the hardwood industry sector fear that imposing wide-ranging tariffs will negate the economic and jobs benefits of the recent tax reform and tax cuts by offsetting those benefits with the costs embedded in the tariffs. Tariffs are taxes that will harm U.S. businesses, farmers, workers and consumers, including those related to the hardwood industry. In addition, acting unilaterally makes American companies targets of retaliation that will result in loss of market share to our trading partners – a disproportionate economic harm. If the United States were instead to act in concert with our like-minded trading partners, U.S. and other foreign companies would face equal challenges when China responded.

The Hardwood Federation represents 26 hardwood focused trade associations, state forestry organizations and lumbermen's clubs from around the country. We advocate for federal policies that improve business conditions for members of the industry, including free and fair international trade practices.

We appreciate the opportunity to submit comments through the Federal Register process. 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. The hardwood community stands ready to work with the Administration on a clear and concise strategy that will lead to an effective and measurable change in China's trade practices. The end goal should be a long-term solution that meaningfully addresses the commercial issues in China while promoting the competitiveness of all U.S. farmers, manufacturers, workers, consumers, and businesses.

Sincerely,

A handwritten signature in black ink, appearing to read "Dana Lee Cole". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dana Lee Cole
Executive Director