Hardwood Federation Update  
Positive Steps in Trade  
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For nearly two years, trade has been the priority issue for the Hardwood Federation. And as you know, the ongoing trade war with China has been particularly impactful - in devastating ways - on the hardwood industry. Thankfully, the final days of December 2019 provided some hopeful signs that relief may be on the horizon.

USMCA
The first sign was the announcement that the Trump Administration had come to an agreement with House Democrats to move forward with the United States-Mexico-Canada Trade Agreement (USMCA), NAFTA’s next generation.

- On December 19, 2019, the House passed the United States-Mexico-Canada Agreement Implementation Act (H.R. 5430) by an overwhelming vote of 385-41.
- The Senate will take up the issue in the New Year, probably in January or early February, after the impeachment process concludes.

And while USMCA is certainly important, of greater significance for many in the industry was the news that a “Phase 1 Deal” has been reached with the Chinese, and that hardwoods will apparently be included!

“Phase 1 Deal”
After months of back and forth, on again - off again negotiations, the U.S. and China announced they had reached a “Phase 1 Deal” which includes significant increased purchases of U.S. agricultural products. High level confirmation that hardwoods are intended to be included came from U.S. Trade Ambassador Lighthizer during an appearance on Fox News, Tuesday Dec. 17th when he mentioned that hardwoods and forest products are included in the Agricultural chapter of the agreement.

This is a tremendous step forward, and a victory for all in our industry who have been working so hard to make Washington D.C. understand the terrible impacts the trade war has had on the industry! But the work is not yet done. Translators and lawyers are going through the 86-page deal, line by line, to make sure there is no discrepancy between the sides. And the formal signing is expected to take place the first week of January.

Details regarding exactly how and when purchases will be made are also murky. The long-term success of the deal, of course, still largely depends on the Chinese honoring these commitments, and following through on their end of the agreement.

Without a doubt, U.S.-China relations will continue to be a rollercoaster. The December 23rd announcement that China was cutting tariffs on over 800 products is an example of the confusion that can ensue from partially translated documents, incomplete press accounts and the relentless pressure the industry faces daily.
After consulting with their contacts in China, the American Hardwood Export Council reported that:

- While it is true that hardwood was not specifically part of this reduction, “…this list represents changes to China’s overall tariff rates to **ALL** of its WTO member trading partners (Mostavored Nations or “MFNs”), **and does not specifically address the retaliatory tariffs placed on U.S. goods as part of the trade war**.

- If and when the “Phase 1” portion of the rumored bilateral trade deal is confirmed and signed, we can expect to see adjustments to China’s retaliatory tariffs aimed at the U.S. and, hopefully, specific reductions for U.S. hardwood products."

As we know all too well, anything can happen. And there are sure to be many more swings between good news and bad news days. Nonetheless, we must continue to be engaged, tell our story and work to keep those negotiating the deals to stay on task!

**Please note**
Ensuring that hardwoods-and the impact this trade war with China has had on the industry- were considered by the Trump Administration during trade negotiations was a combined effort of many in the industry:

- During Hardwood Federation events like the Fly-In, many individual hardwood company leaders came to Washington and spoke directly with members of the Administration and Congress.
- Many hardwood company employees wrote, called and e-mailed their Congressional representatives.
- Hardwood Federation Member Association Executives shared information, encouraged engagement and supported Federation outreach and activity.

Hopefully the New Year will bring the targeted relief we seek. Rest assured that the Hardwood Federation will provide further information as it becomes available.