

## Hardwood Federation Update

*By Dana Lee Cole*

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Trade action heated up in the first weeks of the New Year with the final passage of the U.S.-Mexico-Canada trade agreement (USMCA) and the signing of the "Phase One" trade deal with China.

Of most interest to the hardwood industry was the January 15<sup>th</sup> signing ceremony between U.S. President Donald Trump and Chinese Vice Premier Liu. The Hardwood Federation was pleased to see that hardwood lumber is specifically mentioned - under U.S. manufactured goods - as part of the deal in the White House fact sheet released at the signing ceremony.

In the trade agreement text itself, hardwood lumber products are again highlighted in the table on page 6-3 under "Other Manufactured Goods." In addition, the table on Page 6-11 includes all of the 400 level Harmonized System Codes for hardwood lumber.

Exactly how purchases will be made by the Chinese, in all categories, is yet to be announced. Our sources at USTR indicate it could be a combination of reduced tariffs, product exclusions and government purchases. Mike Snow of the American Hardwood Export Council also points out that China has obligations to all their trade partners under the World Trade Organization. How China increases purchases of U.S. goods without violating these agreements is also unknown. And, of course, much depends on Chinese demand in what most experts agree is a slowing economy.

The Trump Administration has responded to these concerns by pointing out the monitoring and enforcement mechanisms included in the agreement. Administration officials, including the President, have promised swift action if progress towards desired goals is not reached.

The Hardwood Federation will also be tracking progress very carefully...particularly reports from the industry about potential increases in orders...and in prices.

The **bottom line** is that while it was essential that hardwoods be explicitly included in this initial trade agreement, the real benefits to the industry are yet to be determined.

### **In other trade news ...**

In a rare show of bipartisanship, the Senate approved the USMCA agreement by a vote of 89-10. Canada and Mexico are in the top four trading partners for U.S. hardwoods. Finalizing this agreement will provide much needed certainty to these markets. As part of the process, the U.S. and Mexico have negotiated a separate Environment Cooperation and Customs Verification Agreement that intends to increase efforts to combat illegal trade, including that of timber.

The Hardwood Federation will focus on the implementation process for both of these agreements, as well as on Phase Two negotiations between the U.S. and China.