



September 4, 2018

The Honorable Robert Lighthizer  
U.S. Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

RE: Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation  
*Docket No. USTR-2018-0026*

Dear Ambassador Lighthizer:

The National Alliance of Forest Owners (NAFO) would like to express our concerns with the negative economic impact of proposed tariffs on Chinese imports resulting from the Section 301 investigation.

NAFO is a national advocacy organization committed to advancing federal policies that support the long-term economic, social and environmental benefits of sustainably managed, privately-owned forests. NAFO member companies own and manage more than 45 million acres of private working forests across the country to provide a steady supply of timber to U.S. and global markets. NAFO's membership also includes state and national associations representing tens of millions of additional acres. Private working forests in the U.S. support 2.4 million jobs.

While China must be held accountable for unfair trading practices, we have serious concerns about the long-term impact of the escalating dispute on the economies of forest communities as U.S. export markets are compromised due to new Chinese tariffs on U.S. products. The proposed retaliatory tariffs could impact a variety of log species as well as forest products, including lumber, wood chips and pulp and paper, at levels between 5-25%.

Over the last decade, China has become a growth market for U.S. timber and forest products. In 2017, U.S. log exports to China alone totaled \$1.3 billion, according to Chinese government statistics. The growing log and forest products export trade with China has had the effect of (1) lowering the U.S. trade deficit; (2) creating an international market for U.S. products for which there is ample supply of timber; (3) improving cash flows for timberland owners who invest in their land for decades before seeing a return; and (4) helping the rural communities that depend on our businesses.

The U.S. enjoys a comparative advantage relative to other parts of the world in terms of producing timber in a very cost effective manner. Private forestland owners big and small were negatively impacted by the recession and the collapse of housing starts stemming from the Global Financial Crisis, resulting in an unprecedented build-up of timber inventory. Access to key export markets like China is a critical part of keeping our country's timber economy strong. Already, our landowners and mill operators are experiencing slow-downs in demand for exports to the Chinese market as a result of the dispute. The longer the tariffs are in place, the harder it will be for our

businesses to recapture that lost market share. This will also have a significant human toll as jobs are lost across our supply chain from loggers to truckers to mill workers.

We urge you and the President to re-engage with the Chinese as soon as possible on a resolution providing meaningful change and lasting reform, an improved trading environment and a level playing field for all U.S. businesses and workers. We are prepared to help in any way we can to produce a constructive outcome and greater certainty in our trading relationship with China.

Thank you for the opportunity to provide comments. We would be glad to provide any additional information you may need.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Tenny". The signature is fluid and cursive, with a large initial "D" and a long horizontal stroke extending to the right.

David P. Tenny  
President and CEO  
National Alliance of Forest Owners