

**American Forest & Paper Association
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**Statement Submitted for the Record
House Committee on Ways and Means
Hearing on Pending Free Trade Agreements with Colombia, Panama, and
South Korea and the Creation of U.S. Jobs
January 25, 2011**

The American Forest & Paper Association, Inc. (AF&PA) is pleased to submit this written statement to the House Committee on Ways and Means on the pending free trade agreements (FTAs) with South Korea, Colombia and Panama. AF&PA is the national trade association of the forest products industry, representing pulp, paper, packaging and wood products manufacturers, and forest landowners. Our companies make products essential for everyday life from renewable and recyclable resources that sustain the environment. The forest products industry accounts for approximately 5 percent of the total U.S. manufacturing GDP. Industry companies produce about \$175 billion in products annually and employ nearly 900,000 men and women, exceeding employment levels in the automotive, chemicals and plastics industries. The industry meets a payroll of approximately \$50 billion annually and is among the top 10 manufacturing sector employers in 48 states.

The United States is one of the world's most diverse exporters of sustainable forest products. In 2010, U.S. exports of forest products reached an estimated \$27.4 billion – composed of \$20.3 billion of paper and wood pulp and \$7.1 billion of wood products. Exports account for about 15% of total sales of U.S. forest products. In addition, the industry benefits from indirect exports – i.e., domestic sales of paper, paperboard and wood packaging materials that are used to package and transport goods exported by other U.S. industries.

The Obama Administration has recognized the importance of exports as a source of economic growth and job creation, especially with global economic growth expected to outpace the growth of the U.S. economy. Last year, the Administration pledged to double U.S. exports in the next five years. Opening up foreign markets to U.S. exports should be a major component of the Administration's strategy to achieve that goal.

Successful completion of the Doha Round of multilateral trade negotiations that includes a strong agreement to eliminate tariffs by advanced developing countries, especially Brazil, China and India, is a priority for the U.S. forest products industry. However, the Doha Round negotiations have made little progress to date so it is critical for the U.S. to conclude market-opening bilateral and regional trade agreements. Our major competitors are not waiting around and are instead negotiating barrier-reducing trade agreements for their companies. To move forward on a market-opening U.S. trade agenda, it is essential to achieve the rapid implementation of all three pending FTAs with South Korea, Colombia and Panama.

U.S.-South Korea Free Trade Agreement

The U.S.-South Korea Free Trade Agreement (Korea FTA) meets AF&PA's overall goal of achieving free trade in forest products and should be implemented immediately. The U.S. and Korea enjoy a strong and mutually beneficial economic relationship and both countries would benefit from deepening and expanding these ties.

In 2010, U.S. paper and paperboard exports totaled \$242 million and wood pulp exports totaled \$216. Korea participated in the World Trade Organization's Uruguay Round zero-for-zero tariff agreement on pulp and paper, so all its pulp and paper tariffs already have been eliminated. Nonetheless, U.S. paper and paperboard producers stand to gain from the FTA as a result of increased exports of other U.S. products using paper and paperboard packaging.

U.S. wood exports to South Korea in 2010 were an estimated \$203 million, of which more than 80 percent was in the form of logs, timber and pulpwood. On most of these unprocessed wood products, where tariffs are already fairly low, Korea agreed to immediately eliminate tariffs upon implementation of the FTA. Initially, Korea sought to exclude certain value-added wood products – e.g., sawn wood, flooring, plywood and builders' joinery – from tariff reduction in the FTA, but at the end agreed to phase-out the tariffs on these products over a period of 3-10 years. With the phase-out of tariffs on value-added wood products, U.S. producers are expected to become more competitive in relation to other major suppliers to the Korean market.

A non-tariff issue of longstanding concern to AF&PA has been Korean government subsidies to their coated paper producers. AF&PA conducted an in-depth study that documented direct and indirect subsidies being channeled through government-owned or government-controlled banks, keeping several of the otherwise bankrupt paper companies in business. During the FTA talks, U.S. negotiators pressed this issue with their Korean counterparts and as a result, the FTA provides for the establishment of a joint committee on trade remedies to deal with bilateral trade remedy issues. AF&PA would urge that the U.S. government use this forum to monitor and engage with Korea to address industrial subsidies issues as they arise.

U.S.-Colombia Free Trade Agreement

AF&PA believes that the U.S.-Colombia FTA (Colombia FTA) will advance the economic interests of both the U.S. and Colombia and will benefit the U.S. forest products industry. This is the best opportunity to strengthen economic and trade ties with a country that is the second largest market for U.S. products in South America, after Brazil.

Until the global recession, Colombia was a growth market for U.S. forest products. In 2007, U.S. pulp, paper and wood exports to Colombia exceeded \$213 million, an 83 percent jump from 2002. The global recession reduced that significantly, but exports have rebounded to an estimated \$248 million in 2010 (of the total, paper, paperboard and converted products account for \$159 million).

America's market is already open to forest products imports from Colombia. Under most-favored nation tariff rates and preference programs such as the Andean Trade Preference Act and the Generalized System of Preferences, nearly all of Colombia's forest products exports to the U.S. already enter duty-free. However, U.S. exporters entering the Colombian market currently face average import tariffs of 12.5 percent on paper products and 12.3 percent on wood products. Upon implementation of the FTA, 44 percent of U.S. paper product exports and 69 percent of U.S. wood products exports will receive immediate duty-free access. Tariffs on certain high-value priority wood products will be eliminated immediately. The industry will also benefit from the overall reduction of tariff barriers for all U.S. exports as expanded exports of U.S. agricultural and manufactured products to Colombia will increase domestic demand for paper and wood packaging materials.

U.S. forest products companies operate in a global market where issues surrounding the legality and sustainability of timber and other manufactured forest products are growing in importance. AF&PA believes the Colombia FTA, with the establishment of the Environmental Affairs Council, will facilitate the development and improvement of environmental protection, including improved forestry practices.

AF&PA supports the Colombia FTA and urges Congress to pass implementing legislation as soon as possible. The agreement will lower trade barriers for U.S. forest products and will promote sustainable development and management of environmental resources in Colombia.

U.S.-Panama Free Trade Agreement

Panama is a relatively small market for U.S. forest products. In 2010, the industry's exports to Panama were about \$80 million. The implementation of the Panama FTA will provide improved market access for U.S. forest products in relation to other suppliers and together with the Central American FTA, lead to stronger ties between the U.S. and the region.

Summary

The Korea, Colombia and Panama FTAs are in our nation's economic and trade interests, and are good for American manufacturers and workers. Quick action is needed on all three FTAs. All three countries have concluded FTAs with other major trading countries, some of which - including Canada - compete with the U.S. forest products industry around the world. If more time is allowed to pass without increased U.S. access to these foreign markets, AF&PA is concerned that current customers in South Korea, Colombia and Panama will develop new commercial relationships with suppliers from competing countries who will benefit from preferential market access as a result of their FTAs. This could result in a loss of existing and future export opportunities for U.S. forest products companies and their workers. For these reasons, AF&PA strongly urges the Obama Administration and Congress to quickly implement the pending free trade agreements with South Korea, Colombia and Panama.

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