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Statement by the AFL-CIO Executive Council

on

Export of Raw Logs

February 21, 1994
Bal Harbour, FL

LOG EXPORTS

The timber and wood products industry, which is vital to the economy of the Pacific Northwest, is in a state of crisis. Thousands of workers in this industry have been laid off and millions of acres of forest land have been devastated.

One of the reasons for the crisis is the gross distortion in our export market for timber. The Japanese government imposes a high tariff on processed lumber, but no tariff on unprocessed raw logs. That has given giant U.S. timber companies an incentive to ship raw logs to Asia for processing.

Since 1982, raw log exports have increased astronomically, pushing lumber prices higher. Billions of board feet of Northwest lumber were exported in 1992 alone. Meanwhile, the timber companies have closed more than 230 mills in the last decade, thrown thousands out of work, and continue to export one out of every five harvested trees.

The federal government must act to alleviate this crisis. The AFL-CIO urges President Clinton to exercise his authority under the Export Administration Act and to suspend the export of all raw logs. We call on Congress to prohibit the sale of federal timber to corporations or individuals exporting raw logs. And we call on the administration to negotiate an end to Japanese tariffs on processed lumber and paper.

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Congress of the United States
Washington, DC 20515

March 4, 1994

President William J. Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

We want to congratulate you for your refusal to accept yet another hollow trade agreement with the Government of Japan. We also appreciate your willingness to consider the use of meaningful trade sanctions against Japanese products. It has been our observation over the years that the credible threat of sanctions is the only way to gain concessions from Japanese trade negotiators and open Japanese markets.

As you know, the U.S. forest products industry is a globally competitive manufacturing industry that enjoys a clear competitive advantage over its Japanese counterparts. In a 1989 report, the U.S. Department of Commerce concluded that "manufacturing costs for Japanese lumber and plywood operations are significantly higher than those for U.S. operations," and that "U.S. mills remain much more cost competitive." Little has changed since the Commerce Department prepared that report.

Lumber mills in the Western U.S. are fully able to cut to Japanese standards and sizes. Our plywood and paper manufacturers are equally willing and able to serve the Japanese market. If Japan was not one of the world's foremost practitioners of protectionist trade policy, the more efficient U.S. forest products industry would dominate the huge Japanese market for paper, lumber and plywood.

We were extremely disappointed in Japan's pointed refusal to agree to the U.S. government's Zero-for-Zero Tariff Option in the Uruguay Round of negotiations on the General Agreement on Tariffs and Trade. Tariff barriers are, of course, a serious problem. But Japan also maintains significant non-tariff barriers to U.S. finished wood products.

It should be noted, however, that when it comes to unprocessed logs from the Pacific Northwest, the Japanese market is entirely open. The Government of Japan imposes no tariffs on raw logs from U.S. forests.

Billions of board feet of unprocessed logs are exported each year from ports in the Pacific Northwest. At present, about three-quarters of those logs are shipped to mills in Japan. The U.S. is one of only a few nations with a modern wood processing industry and large standing forests that does not presently restrict the export of unprocessed timber.

At the same time, timber supplies for domestic manufacturers in the Pacific Northwest are critically low. The region's federal timber sale program is at a standstill. Federal timber volumes under contract are virtually exhausted. In recent briefings given by members of your administration, it has been stated that it will most likely be 1997 before the theoretically sustainable timber sale levels allowed by your new Northwest forest plan are actually offered.

Many Northwest mills have managed to avoid shutdowns in the last year by purchasing timber from private lands. Industry analysts attribute much of the recent increased availability of private timber to reduced Japanese demand, which has forced some log exporters to sell into the domestic market.

However, Japanese demand is unlikely to remain depressed for long. The inevitable increase in Japanese demand will further reduce the amount of private timber available on the domestic market, forcing otherwise profitable and competitive mills out of business, and unnecessarily putting thousands of hard working men and women out of work.

The harmful effects of the log export trade are not restricted to Oregon, Washington and Northern California. Mills in Montana and other inland states are increasingly finding themselves on the losing end of bidding wars with timber-starved mills from the coastal states, including a number of large log export companies flush with the profits from their export operations.

We support the goal of free trade in wood products. We believe the U.S. position in the recently completed GATT negotiations advocating an elimination of all wood products tariffs was appropriate. However, it is clear that the Government of Japan does not share the U.S. Government's regard for free trade in finished wood products.

The Export Administration Act gives you the power to restrict the export of raw materials that are in short supply. There can be no question that timber is in critically short supply for domestic manufacturers in the Pacific Northwest. The short supply provisions of the Act were designed for just such a situation as this.

We are writing to respectfully request that you use your authority to place temporary restrictions on the export of unprocessed logs from the Pacific Northwest. Export controls should be used until your goals of sustainable forests and predictable timber supplies can be realized. Export controls should also be used to advance another important national purpose: to encourage the Japanese government to eliminate the many tariff and non-tariff barriers that it maintains against U.S. finished wood products.

We want to make one last, very important point. Under normal circumstances, your administration might be concerned that export controls could hurt some U.S. economic interests. But these are not normal circumstances. Given the Pacific Northwest's severe and growing timber supply crisis, there will certainly be a robust domestic market for the logs that might otherwise be exported. And since stumpage prices are between 300-400 percent higher today in Oregon and Washington than they were just 8 years ago, timber land owners stand to do well no matter where they sell their logs.

We urge you to use log export controls to underscore U.S. displeasure with Japan's closed markets and to provide some short term relief to mills and workers throughout the Western U.S.

Sincerely,

Peter DeFazio, M.C.

Pat Williams, M.C.

Bill Richardson, M.C.

Dan Hamburg, M.C.

will

CLS
CHLOPAK
LEONARD
SCHECHTER
AND
ASSOCIATES

Memorandum

Post-it™ Fax Note 7671	Date	# of pages ▶ 3
To Katie McGinty	From Bob Chlopak	
Co./Dept.	Co.	
Phone #	Phone #	
Fax #	Fax #	

To: Katie McGinty

From: Bob Chlopak

Re: Foreign Trade Barriers

Date: 5 April 1994

The attached pages are from the Office of the Trade Representative's annual report on Foreign Trade Barriers. It comes on the heels of several letters and statements calling on the President to exercise his power under the Export Administration Act to restrict raw log exports: the AFL-CIO Executive Council statement; the recent letter from Reps. DeFazio, Williams, Richardson and Hamburg; and the environmental community's recent letter.

We continue to believe that the best way to relieve pressure for additional timber is to limit exports from private lands rather than tinker with a management plan that already skates dangerously close to environmental laws.

Although some in the Administration have raised policy objections to this course in the past, the trade report creates a trade rationale -- in addition to the resource rationale -- for some interim restriction on raw log exports.

Forests:
log exports

2550 M Street NW Suite 250 Washington, DC 20037 Phone: (202) 296 2777 Fax: (202) 296 4501

Reduced tariffs will be applied to ice cream, grated cheese, frozen yogurt, and ice cream mix powder.

- Substantial tariff reductions on other products of interest to the United States were made on vegetable oils, oranges, canned peaches, fruit cocktail, frozen peaches, prune juice, frozen sweet corn, canned sweet corn, sugar confectionery, cigars, and wine. The first installment of these tariff cuts will take place in 1995.

Leather and Leather Footwear

The United States and Japan settled a section 301 dispute on Japanese import quotas on leather and leather footwear products in December, 1985. Japan replaced its import quota with a five-year tariff-rate quota scheme that expired in March, 1991. Japan subsequently made a decision to provide more liberal treatment of footwear imports, setting its footwear tariff quota at 2.4 million pairs per year. During the 1992 U.S.-Japan Trade Committee meeting, the United States again raised concerns about difficulties U.S. exporters face in obtaining import quota shares and asked Japan to commit to a major liberalization of its policies on leather footwear and leather. In JFY 1993, the quota was set at approximately 7 million pairs and it is expected to be raised to over 8 million pairs in JFY 1994. U.S. leather and leather footwear industries have been pushing for elimination, or at least further liberalization, of these schemes.

Japan offered in the Uruguay Round to reduce the tariff on leather footwear within the "pooled quota" from 27 percent to 21.6 percent or from 30 percent to 24 percent and to reduce the tariff on other leather footwear from 60 percent to 30 percent, although the minimum alternative duty will only be reduced from 4,800 yen per pair to 4,300 yen per pair. Japan is also making a reduction from 20 percent to 13 percent on the tariff category that includes crust leather.

Wood Products

As a result of a Super 301 case initiated in 1989, the U.S.-Japan Wood Products Agreement was signed in 1990. The agreement requires Japan to address the following: reduction of high tariffs, reclassification of tariffs; reduction or elimination of subsidies and other market access barriers; liberalization of procedures for new product certification and grading/testing certification; and liberalization of product standards and building codes. To date, Japan has implemented the portion of the agreement dealing with tariff classification and is in the process of implementing changes in the areas of building codes and product standards, including how products are tested and certified.

However, expected gains toward the objective of increased value added imports and increased wood utilization have not been realized. It appears that Japan's subsidies to the industry could potentially undermine the inroads that foreign firms have made since the agreement was reached. Improved market access depends heavily on the elimination of tariffs on wood products. In the Uruguay Round, Japan agreed to reduce its tariffs on wood by 50 percent.

Japan is the largest U.S. export market for wood products. U.S. exports to Japan totaled $3.2 billion in 1993 (70 percent of which was raw material — logs and chips). The U.S. industry estimates that eliminating tariffs on wood products and further progress in dealing with structural barriers and building codes could lead to at least a $1 billion increase in U.S. wood product exports annually.

The United States is aggressively pursuing full implementation of the agreement.

Quantitative Restrictions

Agricultural Products

Japan has maintained import bans or quotas, and state control of trade on agricultural products of interest to the United States. In the Uruguay Round, Japan agreed to convert all import bans and quotas (except for rice) to tariffs, and to reduce these tariffs over the 1995-2000 period. As part of tarrification, Japan has also agreed to establish minimum import access for rice beginning at four percent of consumption in 1995, and increasing to eight percent of consumption in the year 2000. Following the year 2000, foreign market access will remain at that level or increase, based on further GATT negotiations beginning in 1999.

Feedgrains

The Japanese mixed feed sector is characterized by a complex system of import barriers and government regulations that inflate the price of animal feed, while constraining feedgrain imports. U.S. trade associations estimate that the removal of these barriers could increase their exports to Japan by nearly $300 million annually.

Japan has taken some steps to increase competition in the feed grain sector, but these reforms have had little apparent impact. The United States will continue to press this issue bilaterally.

Fish Products

Japan maintains seven global and two bilateral import quotas on fish products. U.S. fishery exports to Japan that are subject to import quotas include (1) pollack surimi, (2) pollack roe, (3) herring, (4) cod, (5) mackerel, (6) whiting, (7) squid, and a few items of lesser interest. The above import quota-controlled items accounted for about $600 million in sales to Japan in 1993, an amount that represented almost one-third of the total $1.9 billion in edible fishery exports to Japan. Sales of these products under import quotas dropped about $150 million from 1992, the peak year, when exports to Japan reached almost $750 million. The recent downward trend in sales of these import quota-controlled items reflects the general economic recession in Japan and stagnant markets and prices, especially for bottomfish products, such as pollock surimi and cod.

U.S. suppliers broke into the Japanese markets for these products less than a decade ago, when USTR held consultations with Japan in 1986 and 1987 on their pollock (surimi) and herring import quotas. As a result, Japan announced pollock and herring measures in 1987 that effectively relaxed those barriers, and, in subsequent years, agreed to liberalize the administration of the other import quotas. Since 1987, U.S. and Japanese officials meet each year to review all the fishery import quotas of interest to the U.S. industry.