



May 10, 2013

**Docket No. USTR – 2013-0019**

Office of the U.S. Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

**Re: Transatlantic Trade and Investment Partnership**

To Whom It May Concern:

The American Forest & Paper Association, Inc. (AF&PA) welcomes the opportunity to provide comments to the Office of the United States Trade Representative concerning the proposed Transatlantic Trade and Investment Partnership (78 Fed. Reg. 19566 (April 1, 2013)). AF&PA has been a strong advocate for global free and fair trade, and the elimination of all tariff and non-tariff barriers and supports the launch of the Transatlantic Trade and Investment Partnership (TTIP) negotiations with the European Union (EU) that would eliminate tariffs and non-tariff barriers to trade and strengthen the economies of the negotiating partners.

The American Forest & Paper Association (AF&PA) serves to advance a sustainable U.S. pulp, paper, packaging, and wood products manufacturing industry through fact-based public policy and marketplace advocacy. AF&PA member companies make products essential for everyday life from renewable and recyclable resources and are committed to continuous improvement through the industry's sustainability initiative - *Better Practices, Better Planet 2020*. The forest products industry accounts for approximately 4.5 percent of the total U.S. manufacturing GDP, manufactures approximately \$200 billion in products annually, and employs nearly 900,000 men and women. The industry meets a payroll of approximately \$50 billion annually and is among the top 10 manufacturing sector employers in 47 states.

**U.S.-EU Trade in Forest Products**

The United States is one of the world's most diverse exporters of forest products, as well as the largest importer. In 2012, U.S. exports of forest products to the EU amounted to almost \$4 billion (paper and paperboard: \$1.6 billion; pulp: \$1.43 billion; wood and wood products: \$950 million). Forest products imports from the EU totaled \$3.5 billion ((paper and paperboard: \$2.84 billion; wood and wood products: \$654 million; pulp: \$52 million).

### **Tariff Liberalization**

AF&PA seeks the elimination of tariffs on all wood products immediately upon implementation of the TTIP, without any phase-in period. Tariff escalation is a prominent feature of EU wood tariffs (Chapter 44), with zero or low tariffs on unprocessed or lightly process wood products and higher tariffs on processed value added wood products. The EU maintains relatively high tariffs on softwood plywood (7-10%), particleboard/Oriented Strand Board and fibreboard (7%), and builders' joinery (3%). The removal of these tariffs through a TTIP agreement would likely lead to increased U.S. exports and production of those products.

The immediate elimination of EU tariffs on U.S. wood products will also eliminate the uneven application of import tariffs in the two areas – EU exports to the U.S. have a comparative price advantage when compared to U.S. wood exports to the EU in that EU tariffs are applied to the CIF (cost, insurance, freight) value while U.S. tariffs are applied to the FOB (free on board) value, which excludes insurance and freight costs.

Both the EU and the U.S. eliminated tariffs on pulp and paper products (Chapters 47 and 48) under the multilateral 1994 Uruguay Round Agreement. Nonetheless, U.S. products in these chapters also could benefit from the TTIP – e.g., U.S. paper and paperboard producers of packaging materials could benefit from the increased export of such products as processed foods that are shipped in paper and paperboard packaging.

### **Regulatory Compatibility**

Ensuring that regulations in one economy do not adversely affect the economy or an industry of the negotiating partner needs to be a key part of the dialogue on U.S.-EU regulatory compatibility. In this regard, we would like to highlight areas where greater regulatory compatibility should be sought in the TTIP negotiations, including the EU's Renewable Energy Directive (RED, the EU Timber Regulation and the frequent use of the precautionary principle in environment, health and safety regulations.

### **Government Support for the EU Renewable Energy Directive:**

The 2009 RED requires that EU member States reduce greenhouse gas emissions by 20%, produce 20% of total energy consumption from renewable sources and decrease total energy consumption by 20% by 2020. To achieve this goal, the European Commission (EC) set mandatory targets for all Member States, and wood pellets and other solid biomass have emerged as important components of the plan. Member States have implemented a variety of financial incentives and policies to encourage the consumption of wood pellets and other woody biomass, including grants, tax exemptions, feed-in tariffs and subsidies for the installation of boilers using wood pellets.

AF&PA believes that market forces should dictate how forest biomass is allocated to its highest value use, i.e., for the production of wood products, pulp and paper, or used for energy generation in domestic or foreign power plants. AF&PA also advocates free and

fair trade and does not oppose the export of wood pellets, but we are concerned about the various forms of government incentives that appear to drive U.S. wood pellet exports to the EU.

U.S. paper and wood products manufacturers rely on wood biomass to produce both value-added manufactured products and large quantities of renewable, carbon neutral biomass energy. As a result, the industry is significantly dependent on access to a sustainable supply of affordable high-quality wood fiber. Fiber represents the largest manufacturing cost component for the U.S. industry. A study by RISI commissioned by AF&PA shows that on a per tonnage basis, the use of wood in the forest products industry creates nine times more jobs than in the bioenergy sector<sup>[1]</sup>. AF&PA is actively monitoring the effects on US fiber supply from the increase in U.S. pellet exports to the EU.

#### **European Union Timber Regulation:**

On March 3, 2013, the European Commission put into operation the 2010 EU Timber Regulation (EUTR) that prohibits placing illegally harvested and produced timber and timber products on the EU market. The EUTR also requires that entities, both EU and foreign entities, that first place products on the EU market must undertake 'due diligence' to ascertain that the timber they sell in the EU was harvested legally.

AF&PA has actively supported both domestic (i.e., the implementation of the 2008 amendments to the Lacey Act that made it illegal to import or trade illegally harvested timber and timber products) and international policies and laws to combat illegal logging and associated trade. At the same time, we want to ensure that measures in both the EU and the U.S. intended to combat illegal harvesting and sourcing do not hinder legitimate trade. AF&PA believes that greater cooperation between regulatory and enforcement bodies on both sides of the Atlantic would yield positive outcomes.

Regarding the implementation and enforcement of the EUTR, we want to point out that timber and timber products, including pulp and paper, sourced in North America pose a negligible risk in terms of illegal harvesting because of our country's strong rule of law and the sustainable forest management practices exercised by the U.S. industry. While it is too early to tell whether the EUTR's represents a non-tariff barrier to U.S. forest products exports, one area of concern is the potential volume and variety of 'due diligence' questionnaires from different EU customers. Another area of concern is national implementation, which means that there are 27 different enforcement agencies in addition to the European Commission involved in the EUTR's implementation.

#### **Environment, Health and Safety Regulations:**

Major challenges exist in harmonizing EU and U.S. regulatory approaches to address significant beyond-the-border market barriers. The issue relates to the different

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<sup>[1]</sup> RISI Report. "Jobs Creation in PPI and Energy Alternative in the United States." 25 June 2010.

approaches to regulatory decisions – in the U.S. decisions are generally rooted in science-based risk assessment, while the precautionary principle has been enshrined as a fundamental element in EU policy when establishing regulations concerning the environment and health and safety. Article 7 of the EU's 2002 General Food Law states that in cases where the possibility or harmful effects on health have been identified "but scientific uncertainty persists, risk management measures...may be adopted, pending further scientific information for a more comprehensive risk assessment." The precautionary principle is based on the belief that when the risks of a particular activity or chemical substance are unclear or unknown, the regulators assume the worst and restrict the activity or the chemical substance regardless of whether the harm is provable. AF&PA urges that regulatory policies in both the EU and the U.S. be based on science-based risk management approaches, where the risk is assessed on the basis of rigorous scientific and technical standards.

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