Forest Service
U.S. DEPARTMENT OF AGRICULTURE

Assessment of International Forest Products

The Department of the Interior, Environment, and Related Agencies Appropriations Bill, 2023 (House Report 117-400) included the following language:

The Committee directs the Forest Service to provide a report within one year of enactment of this Act analyzing the feasibility of increasing the pace of timber harvesting and processing within the allowable sale quantity to displace wood products imports. The report should compare and analyze the relative carbon storage or emissions levels, rule of law, and environmental standards under which forest products are harvested domestically versus in foreign nations, like China and Russia. If necessary, the Service shall prepare this report in consultation with other agencies to determine the national security, supply chain, and business implications of the U.S. depending on foreign sources of timber or timber processing.

The following report was developed by the Office of International Programs of the Forest Service, which regularly consults with the Departments of Homeland Security, Justice and State, the USDA Foreign Agricultural Service, and the US Agency for International Development on matters related to international forest products trade.

Feasibility of Import Displacement through Increased Timber Harvesting in National Forests

While continued investment in National Forest management and fuels reduction is critical to confronting the wildfire crisis and improving the health and resiliency of the nation's forests, additional investment in National Forest timber sales and harvest would not necessarily facilitate near-term domestic substitution of the current forest product import portfolio. As noted in the FY 2022 Agency Timber Target Report, the Good Neighbor Authority and stewardship agreement mechanisms authorized in the 2018 Farm Bill provide new opportunities for increasing timber harvesting. While timber sales by volume have remained consistent from FY 2021 through FY 2023 at 2.7-3.2 billion board feet (BBF), the volume under contract (sold but not yet harvested) is projected to be 8.7 BBF, potentially indicating soft demand by lumber mills and other processing facilities. The increase of standing timber under contract is consistent with forest products industry trends and the macroeconomic climate, though the rise could also indicate declining domestic processing infrastructure for National Forest timber. The Forest Service recognizes the importance of the domestic wood processing industry and works to support its sustained presence, while also recognizing that the expanding volume under contract implies challenges for encouraging import displacement through timber harvest programs.

Analysis of Forest Products Exporters to the United States

From 2013 to 2022, the annual value of global forest product imports to the United States increased 230 percent.[1] Nearly half of this increase is due to expanded trade with Canada on softwood and engineered products. Though this trading relationship can be complicated due to the Canadian stumpage fee administration for softwood forests and the US countervailing duties on Canadian imports, the relationship does not raise concerns regarding rule of law or environmental standards. China is the second most significant exporting country by value[2], respectively, with substantial growth in processed products during this period. Although Russia ranks as the 13th by value,[3] its global impact on forest product trade and the unaccounted proliferation of Russian product in the US market belie its standing in trade data. The latter two trading partners warrant consideration as they relate to good governance, carbon management, and environmental sustainability impacts.

China

China governs rich timber resources in it 231 million hectare forest estate and is also the largest timber importer in the world.[4] The country prohibits logging in natural forests, and timber from its plantations is generally considered low-risk for environmental violations.[5] While China's environmental laws are not comparable to those in the United States, the sustainability requirements for China's domestic forest holdings have become stricter in the last 10 years with the establishment of the PEFC[6]-endorsed China Forest Certification Council.

China's import portfolio, for domestic consumption and for reexport to the United States and other partners, remains concerning. Article 65 of China's 2019 Forest Law provides the following direction "*No unit or individual may purchase, process or transport timber that he/she clearly knows was piratically felled or indiscriminately felled in forest regions*." However, China currently lacks credible due diligence requirements for importers, so US imports transshipped through the country are considered substantially riskier than timber material grown domestically in China.[7] Imports arrive from countries in Southeast Asia, Sub-Saharan Africa, and other regions with poor records on carbon, rule of law, and other environmental standards. This material is used in furniture, carpentry products, and other items exported to the United States.

During the escalation of bilateral import tariffs by China and the United States that began in 2018, the impacts of China's dominance in certain export categories became evident in several sectors. The escalation of bilateral import tariffs exacerbated COVID-19-related supply chain issues for forest products associated with construction and other significant economic drivers.[8] Since China consumes half of global US hardwood exports, US forestry companies suffered and reduced their workforces as a hindered Chinese processing industry and retaliatory tariffs reduced annual sales by more than 25 percent. China's prominence in the U.S. import market has declined by 20 percent from its 2018 peak and supply chains have adjusted due to enhanced wood processing industries in Vietnam and India.

Russia

In contrast to Russia's legacy of scientific forestry, current extractive practices indicate negative consequences for the environmental sustainability, governance, and carbon management of the country's forests. From 2001 to 2022, Russia lost more than 80 million hectares of forests, equivalent to an 11 percent decrease of total tree cover.[9] The government permits intensive logging in carbon-rich primary forests through inflated annual allowable cut levels and misuse of forest health treatments for high-quality timber extraction.[10]

Russian product comprises less than one percent of the total U.S. import market in 2022, representing a decline relative to other trading partners following the invasion of Ukraine and subsequent U.S. tariff increases. However, Russian hardwood plywood and other forest products still penetrate the US market via additional processing and/or transshipment through China and other countries.[11] Beyond economic impacts, the potential inability to deter Russian wood exports could present a national security consideration. Evasion of the punitive tariffs against Russia undermines U.S. objectives to impede the invasion as timber revenues fund the Russian military operations.[12] Furthermore, Russian exports compete with U.S. exports in certain third-country markets. For example, South Korea doubled consumption of Russian biomass energy wood pellets from 2021 to 2022,[13] while U.S. wood pellet operations are attempting export growth in South Korea and other East Asian markets.

Other Measures to Control US Imports of Forest Products

The 2008 amendments to the Lacey Act, which prohibit commerce of timber and wood products that have been illegally harvested or traded, is a critical statute for the mitigation of imported forest products from countries with inadequate governance and environmental safeguards. Strenghtened enforcement of the Lacey Act would eliminate significant amounts of illicit forest products in the US market, while improving opportunities for U.S. timber suppliers and wood processing to equitably compete in the global market. The Forest Service is currently developing tools and methods to detect illegal imported forest material, including the cases discussed in the Chinese and Russian sections of this report. Through these innovations and through related collaborations with interagency partners, the Agency endeavors to ensure the legitimacy of forest products purchased by the American consumers.

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[1] Global Agricultural Trade System, USDA Foreign Agricultural Service (2023) https://apps.fas.usda.gov/gats
[2] Global Agricultural Trade System, USDA Foreign Agricultural Service (2023) https://apps.fas.usda.gov/gats
[3] Global Agricultural Trade System, USDA Foreign Agricultural Service (2023) https://apps.fas.usda.gov/gats
[4] Timber Trade Portal (2023) https://www.timbertradeportal.com/en/china/28/country-context
[5] Forest Trends, Timber Legality Dashboard: China (2022) https://www.forest-trends.org/wp-content/uploads/2022/01/China-Timber-Legality-Risk-Dashboard-IDAT-Risk.pdf
[6] Programme for the Endorsement of Forest Certification an international non-profit organization, promoting sustainable forest management through independent third-party certification
[7] Forest Trends
[8] Shih, Willy C. "Global supply chains in a post-pandemic world." *Harvard Business Review* 98.5 (2020): 82-89.
[9] Global Forest Watch, Russia Deforestation Rates and Statistics (2023) https://www.globalforestwatch.org/dashboards/country/RUS/

[10] Dobrynin, D., Jarlebring, N.Y., Mustalahti, I. *et al.* The forest environmental frontier in Russia: Between sustainable forest management discourses and 'wood mining' practice. *Ambio* **50**, 2138–2152 (2021). https://doi.org/10.1007/s13280-021-01643-6

[11] Environmental Investigation Agency "How Russian Conflict Birch Makes its Way to American Consumers" (2022) https://us.eia.org/report/20220930-russian-conflict-birch/

[12] Carmen Molina Acosta, "How Russia's timber trade is sidestepping the EU's Ukraine war sanctions." International Consortium of Investigative Journalists." June 30, 2023. https://www.icij.org/investigations/deforestation-inc/how-russias-timber-trade-is-sidestepping-the-eus-ukraine-war-sanctions/

[13] Lesprom. "Russia cannot compensate for stop of exporting wood pellets to Europe with deliveries to other markets" (2022) https://www.lesprom.com/en/news/Russia_cannot_compensate_for_stop_of_exporting_wood_pellets_to_Europe_with_deliveries_to_other_markets_105863/