


Imported Woods: A KEY INGREDIENT TO AMERICAN JOBS AND VALUE CREATION


A L O O K B A C K



Throughout history, consumers have demanded the best of the world's offerings. Common spices found in our kitchen cabinets today, including pepper, cinnamon and nutmeg, were once at the forefront of global trade in the Middle East around 2000 B.C. Demand for imported tea in the New World was so great that high British tariffs placed on the good led to an uprising and planted the early seeds for the American Revolution. Decades later, the industrial revolution saw mass population rise, large-scale technology and manufacturing innovation – spawning rapid growth in trade and economies. As the assembly lines of Ford Motor Company were running at top speed, rubber imports from Europe were used to slap tires on Model Ts. Ford himself even attempted to build his own rubber empire in Brazil to harvest and import the valuable good.

The historical demand for the exotic and warm look of imported wood has been no different. In the mid-18th century, furniture traditionally made of oak and walnut saw a corresponding demand for mahogany. During the administration of President James Monroe, rich mahogany was imported from France and used in furniture, doors and other accessories that are still prominent in today's White House.

Indeed, the American entrepreneurial spirit has flourished through the value of imports and trade by providing American consumers ready access to a vast world market of consumer goods. In the 1950s, President Dwight Eisenhower praised this market and the expansion of trade among nations as a necessity in a changing world and a way of strengthening the U.S. economic engine. “Strong economic ties are an essential element in our free world partnership. Increasing trade and investment help all of us prosper together,” he stated. At that time, the U.S. saw the benefits of a modernized system that facilitated sharp rises in trade in both directions.



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PRESIDENT DWIGHT EISENHOWER





IMPORTED WOODS ARE INCREASINGLY USED IN A RANGE OF APPLICATIONS FROM HOME BUILDING TO FLOORING AND DECKS. IMPORTS HELP HOME BUILDERS BY PROVIDING QUALITY PRODUCTS AT ALL PRICE POINTS (BOTTOM LEFT), WARMTH AND RICHNESS OF COLOR IN FLOORING (BELOW), AND DURABILITY AND BEAUTY IN MARINE APPLICATIONS (LEFT).

WHO BENEFITS FROM IMPORTS?

Today, imports, open markets and free trade continue to contribute to American prosperity. U.S. annual incomes are \$1 trillion higher, or \$9,000 per household, due to increased trade since 1945. If remaining global trade barriers are eliminated, U.S. annual incomes could increase by an additional \$500 billion, adding roughly \$4,500 per household.¹ The U.S. Bureau of Economic Analysis noted that the U.S. imported \$190.1 billion in goods and services in March 2007.²

In 2005, nearly \$23 billion worth of wood and wood products entered the U.S., a 38 percent increase over 2003. Furniture/furniture parts imports represented an additional \$14 billion in wood products trade in 2005.³

The continued growing market for imported woods and other goods is nothing new, but it has prompted reactive concerns over possible U.S. job loss. The disruption of shifting economic trends has long generated fears during cyclical downturns, whether it was the slowing industrial economy during the Great Depression, fear of automation

during the 1950s and 60s or alarm over U.S. “deindustrialization” during the 1980s in light of intense competition from Japanese production.⁴

Today, similar fears over lost U.S. jobs have risen in response to the increased market demands for imports. Many studies show that job loss to imports is relatively small in scale in comparison to the job creation formed by trade.

A 2000–2003 detailed analysis of trade and industry data, the McKinsey Quarterly Report, found that “Trade, particularly rising imports of goods and services, didn’t destroy the vast majority of the jobs lost in the U.S. since 2000...only about 314,000 jobs (11% of the manufacturing jobs lost) were lost as a result of trade, and that falling exports – not rising imports – were responsible.”⁵

A 2005 study on the impact of trade with China by Trade Partnership Worldwide, LLC, finds that, “imports from China have a net positive impact on U.S. employment that approaches 1 million American jobs. Eight U.S. jobs owe their existence to imports from China, for every one job that is “lost” to those imports.”⁶



¹ Institute for International Economics as cited by the Office of the United States Trade Representative

² U.S. BEA May, 2007 press release

³ U.S. Imports of Forest Products – Year End 2002 – 2006, Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

⁴ Brook Lindsay, CATO Institute, Ten Truths About Trade, Reason Magazine

⁵ “Don’t Blame Trade for U.S. Job Losses – McKinsey Quarterly Report,” *Forbes*, November 10, 2005

⁶ 2005 TPW study for the National Retail Federation http://www.tradepartnership.com/pdf_files/2005_China_imports.pdf

WHY IMPORT?

While it is true that imported goods have taken the place of U.S. produced goods in some sectors, imported woods are unique. Imported wood products enhance domestic production and the U.S. job market with a quality, value-added complement to the marketplace.

As past issues of *Imported Wood* have found, leading manufacturers and distributors are smart-sourcing their component purchasing for their U.S.-based production by incorporating imported woods alongside domestically produced woods.

Manufactured housing is on an upswing to meet the changing housing climate. Today, two of every ten new home starts in the U.S. are manufactured homes, but these are not your typical models. The trend toward merging design styles of modular and traditional residential construction is expanding the use of imported woods. Imports are cost effective yet compromise no standards in terms of specifications.

The RV industry has been using imported wood since the 1970s, prized for its strength, unique thin construction and affordability.

Imported woods are playing a vital role in bringing high-end looks to cabinets and countertop spaces. Rodger Dettman of Mertins Cabinet Shop explains, “The use of

imported species is on the rise as the consumer becomes more aware of the unique qualities these species offer – grain pattern, color, durability. It’s not just an oak and maple world anymore.”

MasterBrand Cabinets Vice President of Sourcing Brian Robinson says, “We import plywood, in addition to domestically sourced, for use in cabinet sides, bottoms and backs as well as shelves. We take as many opportunities as we can to use our global leverage to maximize the value chain. Sourcing internationally doesn’t mean that you need to sacrifice quality or environmental integrity.”

Imported woods can even be found throughout Chicago’s architectural beauty, Millennium Park. Architect Craig Webb of Gehry Partners pointed to the exterior decking for the BP Bridge as “a great example of domestic and imported wood species working together.”

CONNECTING THE DOTS OF U.S. JOB CREATION

Everyday, imported woods cross into U.S. territory via any one of the publicly- or privately-owned marine facilities located in approximately 360 commercial sea and river ports. These are found along the Atlantic, Pacific, Gulf and Great Lakes coasts, as well as in Alaska, Hawaii, Puerto Rico, Guam and the U.S. Virgin Islands.



As market demand for imported woods and other goods rise, so do jobs and economic conditions at U.S. ports and waterways, which annually handle more than 2 billion tons of domestic and import/export cargo. By 2020, the total volume of cargo shipped by water is expected to be double that of 2001 volumes. All this cargo must be transported somewhere. According to the Bureau of Labor Standards, truck drivers and driver/sales workers held about 3.2 million jobs in 2004 and overall trucking employment is expected to increase about as fast as the average for all occupations through the year 2014, due in large part to international trade.

U.S. producers are smart sourcing their production and incorporating components where they make sense. Ultimately, it is the demand from various market segments – RV, cabinet, homebuilding, architectural millwork, distributors and their customers – that drives these sourcing decisions.

From port to highway, producer to distributor, and retailer to end user, hundreds of thousands of family incomes are made possible by international trade. But that’s not where the benefits end. As consumers, we also benefit from a diverse array of choices and reduced costs that imports bring to us, including making our wallets fatter. A simple stop at Home Depot, Lowes, Wal-Mart or any mom and pop retailer from coast to coast proves that.

The United States was founded in a melting pot of culture and diversity. Our economy, jobs and market of goods are reflective of those same principles. From tea and spices in our formative years to exotic woods today – imports offer the best of the best to us all. iw

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INSTITUTE FOR INTERNATIONAL ECONOMICS



U.S. Jobs and Market Quality

In 2005, nearly \$24 billion worth of wood and wood products entered the U.S., a 43 percent increase over 2003. This is not including furniture/furniture parts, which represented an additional \$14 billion in imported goods.¹ How does such rapid growth in the import industry affect the economy and U.S. jobs? What about quality?

How do imported woods meet U.S. quality standards?

A: Imported woods are enhancing the wood products industry with a quality, value-added complement to the marketplace. Leading manufacturers and distributors are easily incorporating imported woods alongside domestically produced woods as these wood products meet all existing quality standards.

How does the imported woods market affect U.S. jobs?

A: The demand for high quality, affordable imported woods is helping support hundreds of thousands of domestic U.S. jobs at many levels – at ports, throughout the logistics chain, in residential and commercial construction and remodeling, throughout the retail and wholesale distribution network, and in industries as diverse as kitchen cabinet, recreational vehicle, and boat manufacturing.

Do imports and free trade contribute to U.S. job loss?

A: Brink Lindsey of the CATO Institute notes, “International trade has had only a modest effect on manufacturing’s declining share of the economy.”²

In a 2000-2003 detailed analysis of trade and industry data, a “McKinsey Quarterly” report found that “Trade, particularly rising imports of goods and services, didn’t destroy the vast majority of the jobs lost in the U.S. since 2000.” The report notes that jobs were lost as a result of falling exports – not rising imports.³

Open markets and free trade contribute to American prosperity. Today, U.S. annual incomes are \$1 trillion higher, or \$9,000 per household, due to increased trade since 1945.⁴

¹ United States Department of Agriculture, Foreign Agricultural Service

² Brink Lindsey, “10 Truths About Trade: Hard Facts About Offshoring, Imports and Jobs,” Reason, July, 2004

³ “Don’t Blame Trade for U.S. Job Losses – McKinsey Quarterly Report,” Forbes, November 10, 2005

⁴ Institute for International Economics as cited by the Office of the United States Trade Representative

Know the Facts: To learn more about market statistics for the imported woods industry, visit www.iwpawood.org or call 703.820.6696.

IWPA is the only association in the United States committed to the promotion and enhancement of legal and sustainable trade in the imported hardwood and softwood products industry. Our diverse membership includes 225 U.S. importers, manufacturers, transportation companies, port authorities, customs brokers, and overseas producers from 30 countries around the world.

