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Expanding Global Market Opportunities for U.S. Building Materials Exports

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AGENDA

I. Trade Policy Issues

- United States–Mexico–Canada Agreement
Modernize as 21st Century Trade Agreement
- Free Trade Agreements / Trade Negotiations
 - Japan
- Section 301 Trade Action with the People's Republic of China

II. Identifying Promising Markets for U.S. Building Products Exports

- Traditional tools
- Identifying new market demand



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I. Trade Policy Issues



President's Trade Policy Agenda – 5 Major Pillars

- 1) Supporting Our National Security**
- 2) Strengthening the U.S. Economy – Manufacturing, Jobs**
- 3) Negotiating Better Trade Deals – Ensure U.S. Industry Competitiveness**
- 4) Aggressively Enforcing U.S. Trade Laws – Ensure Level Playing Field**
- 5) Reforming the Multilateral Trade System**



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United States–Mexico–Canada Agreement (USMCA)

- The United States has finalized an agreement with Mexico and Canada in the renegotiation of the North American Free Trade Agreement (NAFTA).
- The new United States-Mexico-Canada Agreement (USMCA) will create more balanced, reciprocal trade that supports high-paying jobs for Americans and grows the North American economy.

Areas of Focus:

- Modernization – IP, Standards, Digital, Currency, Labor, Environment
- Manufacturing – ROO: Regional Value Content, Market Access, Textiles
- Small & Medium sized Enterprises (SMEs) – 1st SME Chapter in an FTA
- Additional Benefits in Agriculture and Dairy Market Access



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USMCA - (con't)

Modernization

- Intellectual Property (IP)
 - Protections for United States Innovators and Creators
 - Most Comprehensive Enforcement Provisions of Any Trade Agreement
 - Strongest Standards of Protection for Trade Secrets of Any Prior FTA
- Digital Trade
- Currency – Policy and Transparency Commitments w/ Accountability
- Labor – Collective Bargaining, Rights Recognition, Value Content Rule
- Environment – Comprehensive, Enforceable Environmental Obligations



USMCA - (con't)

Manufacturing

- Rules of Origin (ROO)
 - Update to ROO will provide greater incentives to source goods and materials in the United States and North America
 - Stronger ROO on autos and automobile parts and other industrial products such as chemicals, steel-intensive products, glass, and optical fiber to name a few
- Goods Market Access
 - Improved Support of North American Trade in Manufactured Goods
 - New provisions for transparency in import licensing and export licensing procedures
 - Prohibits: (a) Requirements to use local distributors for importation; (b) Restrictions on the importation of commercial goods that contain cryptography; and (c) Import restrictions on used goods to remanufactured goods
- Textiles
 - Incentivize North American textile production and apparel trade, strengthen customs enforcement, and facilitate consultation and cooperation on textiles and apparel trade



USMCA - (con't)

Small and Medium Sized Enterprises (SMEs)

- First time in a U.S. trade agreement, the USMCA includes a dedicated chapter on SMEs and key provisions supporting SMEs throughout
 - Promotes cooperation to increase SME trade and investment opportunities
 - Establishes information-sharing tools that will help SMEs better understand the benefits of the agreement
 - Establishes a committee of government officials to address SME issues
 - New framework for an ongoing SME Dialogue open to SMEs to enable participants to provide views and information to government officials
- Cuts Red Tape via Increased De Minimis Levels
- Promotes SME Participation in Government Procurement
- Supports Cross Border Trade in Services for SMEs
- Supports SMEs through Good Regulatory Practices



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USMCA - (con't)

Enactment Update

- Agreement signed by United States, Mexico and Canada – 11/30/2018
- Mexico ratifies USMCA – 06/19/2019
- USMCA was amended by Protocol of Amendment to the Agreement between the three countries – 12/10/2019
- U.S. House of Representatives Passes USMCA implementing legislation (H.R. 5430) by a vote of 385 to 41 – 12/19/2019



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USMCA - (con't)

Enactment Update

- The U.S. Senate Passed the U.S. House of Representatives' USMCA implementing bill (H.R. 5430), without change, by a vote of 89 to 10 – 1/16/2020
- The USMCA implementing bill will now go to President Trump for signature into law
- Canadian parliament has begun USMCA consideration after U.S. enactment
- The USMCA will come into effect not later than three months after each party has taken the necessary steps to ratify it and be in compliance with its provisions



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U.S. – Japan Trade Agreement

- On October 16, 2018 – Congress was notified that the Trump Administration intended to negotiate a trade agreement with Japan
- On October 7, 2019, the United States and Japan signed the U.S.-Japan Trade Agreement and U.S.-Japan Digital Trade Agreement
 - The U.S.–Japan Trade Agreement eliminates or reduces tariffs on certain agricultural and industrial products to enhance bilateral trade
 - See <https://ustr.gov/countries-regions/japan-korea-apec/japan/us-japan-trade-agreement-negotiations/us-japan-trade-agreement-text>
 - See <https://ustr.gov/countries-regions/japan-korea-apec/japan/us-japan-trade-agreement-negotiations/us-japan-digital-trade-agreement-text>
 - See <https://ustr.gov/countries-regions/japan-korea-apec/japan/us-japan-trade-agreement-negotiations/fact-sheets>
- Liberalizes Market Access Between the United States and Japan
- A High-Standard Digital Trade Agreement



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Section 301 – Tariffs on Imports from China

- **U.S. Trade Representative (USTR) investigated Government of China’s acts, policies, and practices related to technology transfer, intellectual property and innovation** under Section 301 of the Trade Act of 1974, as amended, the investigation launched in August 2017
- Following a thorough analysis of available evidence, USTR, with assistance of the interagency Section 301 Committee, determined that numerous acts, policies, and practices of the government of China related to technology transfer, intellectual property, and innovation are unreasonable or discriminatory, and burden or restrict U.S. commerce
- The information in this investigation was updated on November 20, 2018, and the USTR found that China had not fundamentally altered its practices



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Section 301 – Tariffs on Imports from China (con't)

Economic & Trade Agreement Between the U.S. & China – Jan. 15, 2020

The U.S. & China signed an agreement on a **Phase One** trade deal that requires structural reforms and other changes to China's economic and trade regime in the areas of intellectual property, technology transfer, agriculture, financial services, and currency and foreign exchange.

- The Phase One agreement includes:
 - China's commitment to make substantial additional purchases of U.S. goods and services in the coming years
 - A strong dispute resolution system that ensures prompt and effective implementation and enforcement
 - The United States has agreed to modify its Section 301 Tariff Actions in a significant way

See: <https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china/phase-one-trade-agreement/fact-sheets> ; <https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china/phase-one-trade-agreement/text>



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Section 301 – Tariffs on Imports from China (con't)

Economic & Trade Agreement Between the U.S. & China – Jan. 15, 2020

Expanding Trade

From Jan. 1, 2020 – Dec. 31, 2021, China shall purchase from the U.S.:

- Goods identified in Annex 6.1 to exceed the 2017 baseline by no less than \$200 billion
 - Manufactured goods no less than \$32.9 billion above 2017 in 2020 and \$44.8 billion above 2017 in 2021
 - Manufactured Goods include: 1. Industrial Machinery; 2. Electrical Equipment and Machinery; 3. Pharmaceutical Products; 4. Aircraft (orders and deliveries); 5. Vehicles; 6. Optical and Medical Instruments; **7. Iron and Steel; 8. Other manufactured goods**
 - Building Products found in Iron and Steel as well as Other Manufactured Goods
 - Iron and Steel products
 - Wood, wood products, and hardwood lumber



Section 301 – Tariffs on Imports from China

<u>Trade Action</u>	<u>Additional Tariffs</u>	<u>Products/Tariff Lines Impacted</u>
<u>Tranche 1</u>	25%	818
<u>Tranche 2</u>	25%	279
<u>Tranche 3</u>	25%	5,733
<u>Tranche 4a</u>	Reduced to 7.5% by Phase 1	3,233
<u>Tranche 4b</u>	Suspended Indefinitely	550



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SECTION 301 – Tariffs on Imports from China (con't)

Public Comment Process

- Each tariff list was open to a 30 day comment period, as well as multi-day public hearings.
- More info: <https://www.regulations.gov/document?D=USTR-2019-0004-0001>

Exclusion Process

- USTR has a process where U.S. stakeholders may request that particular products, classified within a covered tariff subheading be excluded from the duties. USTR issues decisions on a rolling basis.
- More info: <https://ustr.gov/issue-areas/enforcement/section-301-investigations/section-301-china/section-301-exclusion-process>



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SECTION 301 – Tariffs on Imports from China (con't)

Additional Information

- How to Navigate the Section 301 Tariff Process: <https://ustr.gov/issue-areas/enforcement/section-301-investigations/search>
- CBP: <https://www.cbp.gov/trade/programs-administration/entry-summary/section-301-trade-remedies> ; <https://www.cbp.gov/trade/programs-administration/entry-summary/section-301-trade-remedies/faqs>

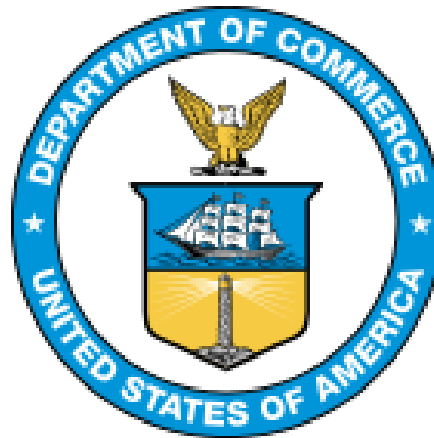
Points of Contact

- USTR: Section 301 Hotline: (202) 395-5725
- CBP: traderemedy@cbp.dhs.gov



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II. IDENTIFYING MARKETS FOR U.S. BUILDING PRODUCTS EXPORTS





- **Global opportunity**

- U.S. products are globally competitive on a level playing field



- **U.S. building products export markets are “dense”**

- The vast majority of U.S. exports go to the Top 12 markets – 79% in 2019*
- Canada and Mexico dominant + China increasing export market share
- In the past 10 years, there have been only modest changes to the Top 12 market list



*Based on Annualized 2019 Data



U.S. Building Products

Total Annual U.S. Exports

2019 Projected: **\$80.6 billion** – from 86.9 bill in 2018
(based on annualized Jan-Nov data)



Wood Products

2017: \$8.1 billion
2018: \$7.3 billion
2019: **\$4 billion projected**

Plumbing Products

2017: \$1.09 billion
2018: \$1.2 billion
2019: **\$1.2 billion projected**

Asphalt

2017: \$610 million
2018: \$673 million
2019: **\$605 million projected**



HVAC Equipment

2017: \$18.5 billion
2018: \$18.8 billion
2019: **\$18.4 billion projected**

Plaster & Gypsum Board

2017: \$207 million
2018: \$212 million
2019: **\$199 million projected**

Cement & Concrete

2017: \$466 million
2018: \$458 million
2019: **\$421 million projected**



Metal Products

2017: \$22.9 billion
2018: \$24.1 billion
2019: **\$22.7 billion projected**

Insulation

2017: \$1.04 billion
2018: \$1.1 billion
2019: **\$1.0 billion projected**

Masonry & Stone

2017: \$224 million
2018: \$232 million
2019: **\$220 million projected**



Electrical Systems & Lighting

2017: \$21.3 billion
2018: \$22.5 billion
2019: **\$21.6 billion projected**

Appliances

2017: \$3.11 billion
2018: \$3.11 billion
2019: **\$3.05 billion projected**

Glass

2017: \$857 million
2018: \$769 million
2019: **\$790 million projected**



Paints, Adhesives & Plastics

2017: \$4.3 billion
2018: \$4.5 billion
2019: **\$4.6 billion proj'd**

Doors & Windows

2017: \$751 million
2018: \$720 million
2019: **\$701 million projected**

Miscellaneous Other

2017: \$1.2 billion
2018: \$1.2 billion
2019: **\$1.1 billion projected**

U.S. Building Products

Annual U.S. Exports To CANADA

2019 Projected: **\$22.4 billion** – from 23.5 bill in 2018
(based on annualized Jan-Nov data – Rank 2nd 2018)



Wood Products

2017: \$1.7 billion
2018: \$1.6 billion
2019: **\$1.1 billion proj'd**
Rank 2nd in 2018

Plumbing Products

2017: \$431 million
2018: \$493 million
2019: **\$470 million proj'd**
Rank 1st in 2018

Asphalt

2017: \$416 million
2018: \$450 million
2019: **\$407 million proj'd**
Rank 1st in 2018



HVAC Equipment

2017: \$4.9 billion
2018: \$5.0 billion
2019: **\$5.2 billion proj'd**
Rank 1st in 2018

Plaster & Gypsum Board

2017: \$141 million
2018: \$144 million
2019: **\$130 million proj'd**
Rank 1st in 2018

Cement & Concrete

2017: \$325 million
2018: \$317 million
2019: **\$304 million proj'd**
Rank 1st in 2018



Metal Products

2017: \$6.3 billion
2018: \$6.6 billion
2019: **\$6.2 billion proj'd**
Rank 2nd in 2018

Insulation

2017: \$299 million
2018: \$329 million
2019: **\$309 million proj'd**
Rank 1st in 2018

Masonry & Stone

2017: \$132 million
2018: \$136 million
2019: **\$132 million proj'd**
Rank 1st in 2018



Electrical Systems & Lighting

2017: \$3.7 billion
2018: \$3.9 billion
2019: **\$3.7 billion proj'd**
Rank 2nd in 2018

Appliances

2017: \$1.6 billion
2018: \$1.6 billion
2019: **\$1.6 billion proj'd**
Rank 1st in 2018

Glass

2017: \$455 million
2018: \$462 million
2019: **\$452 million proj'd**
Rank 1st in 2018



Paints, Adhes & Plasts

2017: \$1.7 billion
2018: \$1.8 billion
2019: **\$1.8 billion proj'd**
Rank 1st in 2018

Doors & Windows

2017: \$423 million
2018: \$407 million
2019: **\$391 million proj'd**
Rank 1st in 2018

Miscellaneous Other

2017: \$195 million
2018: \$205 million
2019: **\$194 million proj'd**
Rank 2nd in 2018



U.S. Building Products

Annual U.S. Exports To MEXICO

2019 Projected: **\$21.8 billion** – from 23.6 bill in 2018
(based on annualized Jan-Nov data – Rank 1st 2018)



Wood Products

2017: \$670 million
2018: \$639 million
2019: **\$480 million proj'd**
Rank 3rd in 2018

Plumbing Products

2017: \$258 million
2018: \$290 million
2019: **\$303 million proj'd**
Rank 2nd in 2018

Asphalt

2017: \$26.3 million
2018: \$33.4 million
2019: **\$27.2 million proj'd**
Rank 2nd in 2018

HVAC Equipment

2017: \$3.8 billion
2018: \$3.8 billion
2019: **\$3.6 billion proj'd**
Rank 2nd in 2018

Plaster & Gypsum Board

2017: \$20.3 million
2018: \$21.05 million
2019: **\$21 million proj'd**
Rank 2nd in 2018

Cement & Concrete

2017: \$21.8 million
2018: \$30.8 million
2019: **\$25.9 million proj'd**
Rank 2nd in 2018

Metal Products

2017: \$7.6 billion
2018: \$8.4 billion
2019: **\$7.5 billion proj'd**
Rank 1st in 2018

Insulation

2017: \$246 million
2018: \$289 million
2019: **\$256 million proj'd**
Rank 2nd in 2018

Masonry & Stone

2017: \$11.5 million
2018: \$16.8 million
2019: **\$12.8 million proj'd**
Rank 2nd in 2018

Electrical Systems & Lighting

2017: \$8.0 billion
2018: \$8.4 billion
2019: **\$7.8 billion proj'd**
Rank 1st in 2018

Appliances

2017: \$286 million
2018: \$300 million
2019: **\$322 million proj'd**
Rank 2nd in 2018

Glass

2017: \$70 million
2018: \$82 million
2019: **\$90 million proj'd**
Rank 2nd in 2018

Paints, Adhes & Plasts

2017: \$834 million
2018: \$929 million
2019: **\$925 million proj'd**
Rank 2nd in 2018

Doors & Windows

2017: \$86.6 million
2018: \$78.5 million
2019: **\$77.1 million proj'd**
Rank 2nd in 2018

Miscellaneous Other

2017: \$352 million
2018: \$378 million
2019: **\$372 million proj'd**
Rank 1st in 2018



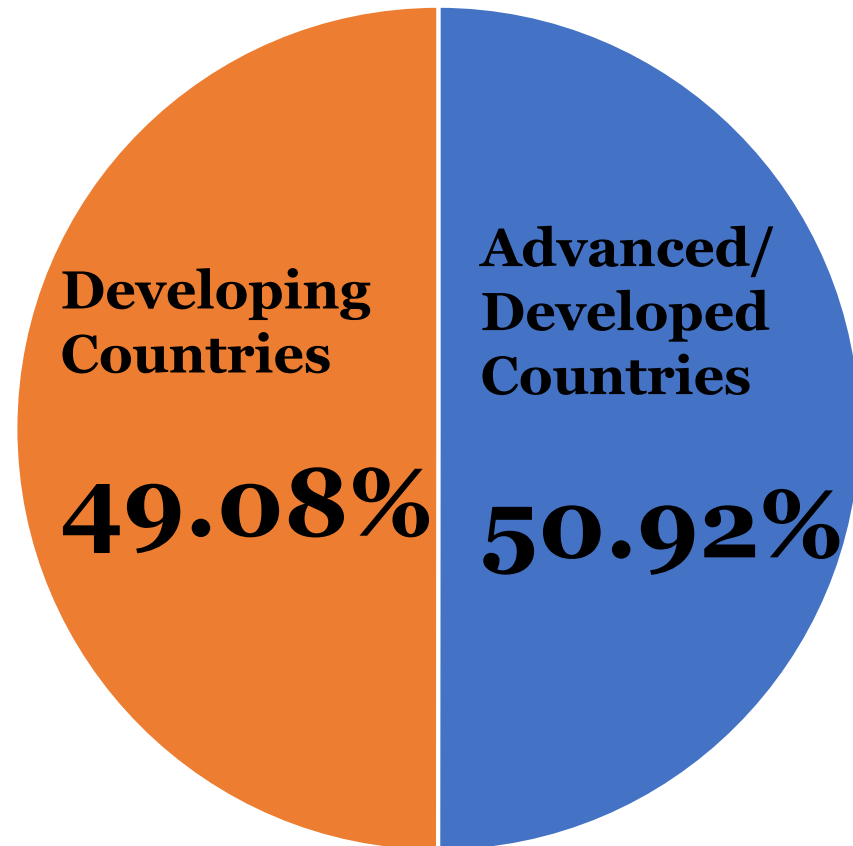


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2019 Export Competitiveness Profile

- **223 U.S. building product export markets around the globe**
- **Exports evenly split between developed and developing countries**
(Based on Total Value of Exports)

U.S. Building Product Export Destinations





U.S. Building Product Exports: Top 12 Markets

2009 Top 12 (74.59% of Total Exports)		Rank	2019 Top 12 (79.36% of Total Exports)*	
Canada	31.00%	1	Canada	27.84%
Mexico	19.62%	2	Mexico	27.00%
China	5.88%	3	China	5.84%
United Kingdom	2.65%	4	United Kingdom	3.07%
Japan	2.62%	5	Germany	3.06%
Germany	2.45%	6	Japan	2.43%
Korea	2.26%	7	Korea	2.09%
Saudi Arabia	1.80%	8	France	1.94%
Brazil	1.72%	9	Brazil	1.68%
Australia	1.66%	10	Singapore	1.65%
Singapore	1.53%	11	Australia	1.40%
France	1.40%	12	Netherlands	1.35%



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Thank You



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