

Wood Industry Regulatory Update: Trade

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AWFS 2019 MEETING
LAS VEGAS NV
JULY 17, 2019

Output, Trade, & Regulations

Stock Panel report and plant closures

AD/CVD Cases and import circumventions

Formaldehyde, HTS Codes, log exports

Production

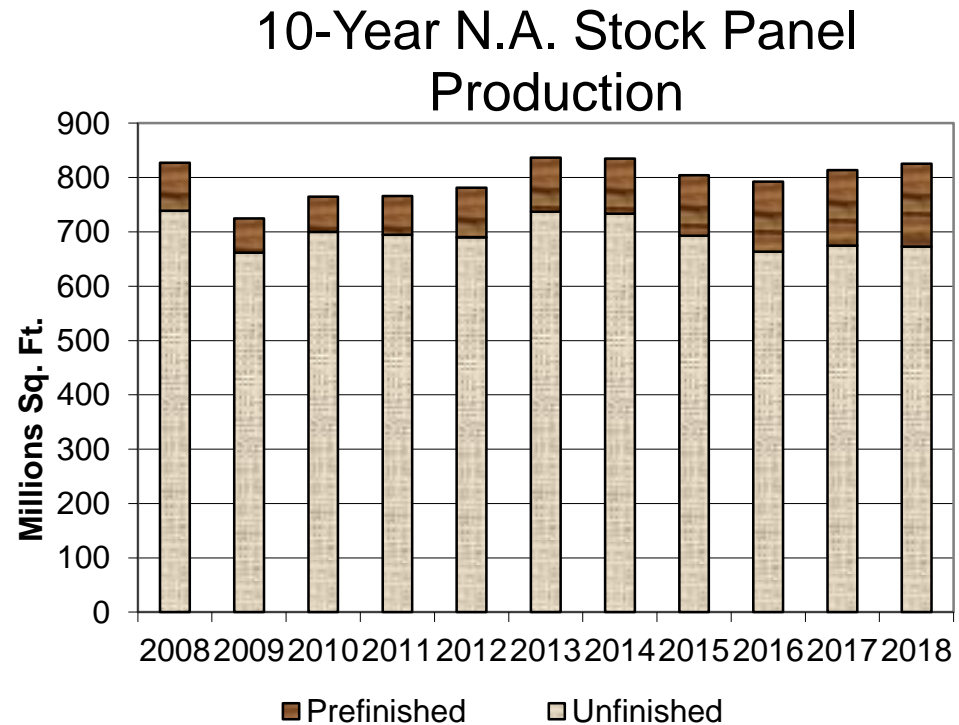
DHA collects production data only on hardwood plywood

Follow hardwood veneer and engineered flooring thru other means

Notwithstanding domestic economic growth and 2 AD/CVD orders in place against decorative plywood and multi-layered wood flooring from China, the North American industry is not enjoying these positive factors with increased production

Why?

Production Flat and Import Share Steady



2008 was the highest year of combined production

2013, 2014 and 2018 followed

Even though the economy and housing both recovered from the 2009 lows, China's share in absolute and percentage share grew

Domestic plants closed and continue to close, shifts laid off, veneer suppliers impacts, the entire value chain

We Continue to Loose Domestic Markets

Furniture left over the last 2 decades to China

China is now the world's largest wood panel manufacturer world – half the global production

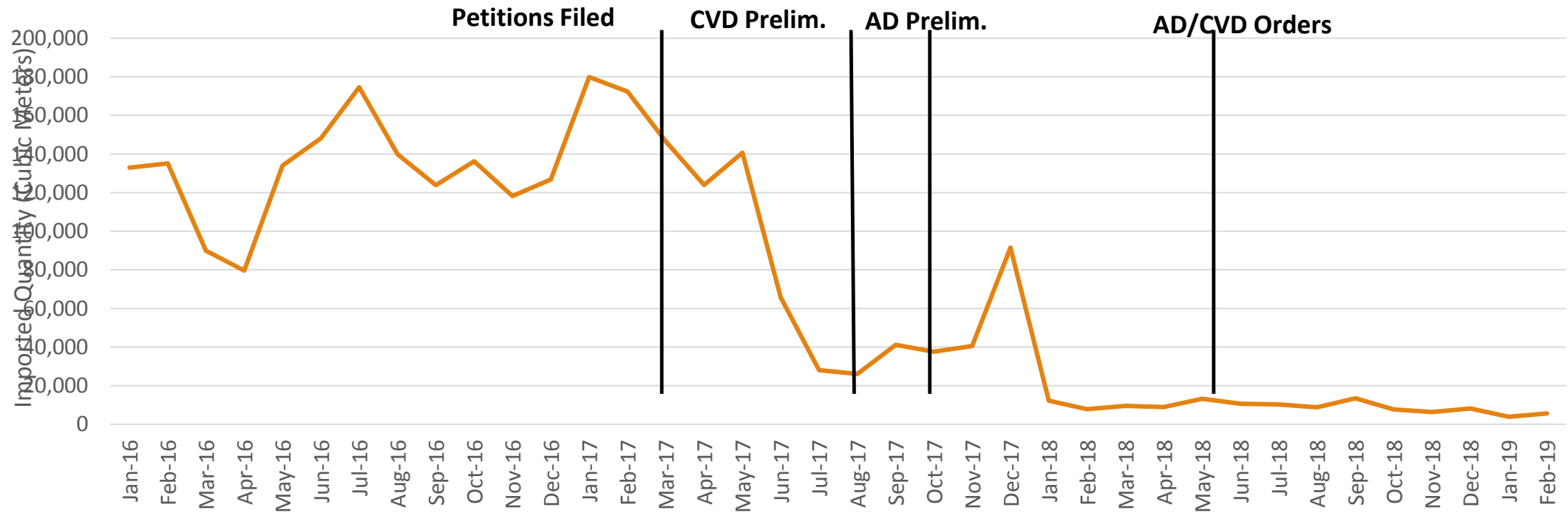
Kitchen cabinets are next and they filed an AD/CVD case against China

A major AL co. laid off 40% of their employees, a MO co. in business 70 years closed, and Masco getting out of the business



Status: U.S. Imports of Chinese Hardwood Plywood

U.S. Consumption Imports of Hardwood Plywood From China



Major Tactic to Circumvent: Radiata Pine

Decorative Hardwood Plywood put a decorative softwood face on it

Avoids 194% AD/CVD duties

Commerce Department determines recently developed product to circumvent

Duties apply retroactively to September 2018

So, what's next?

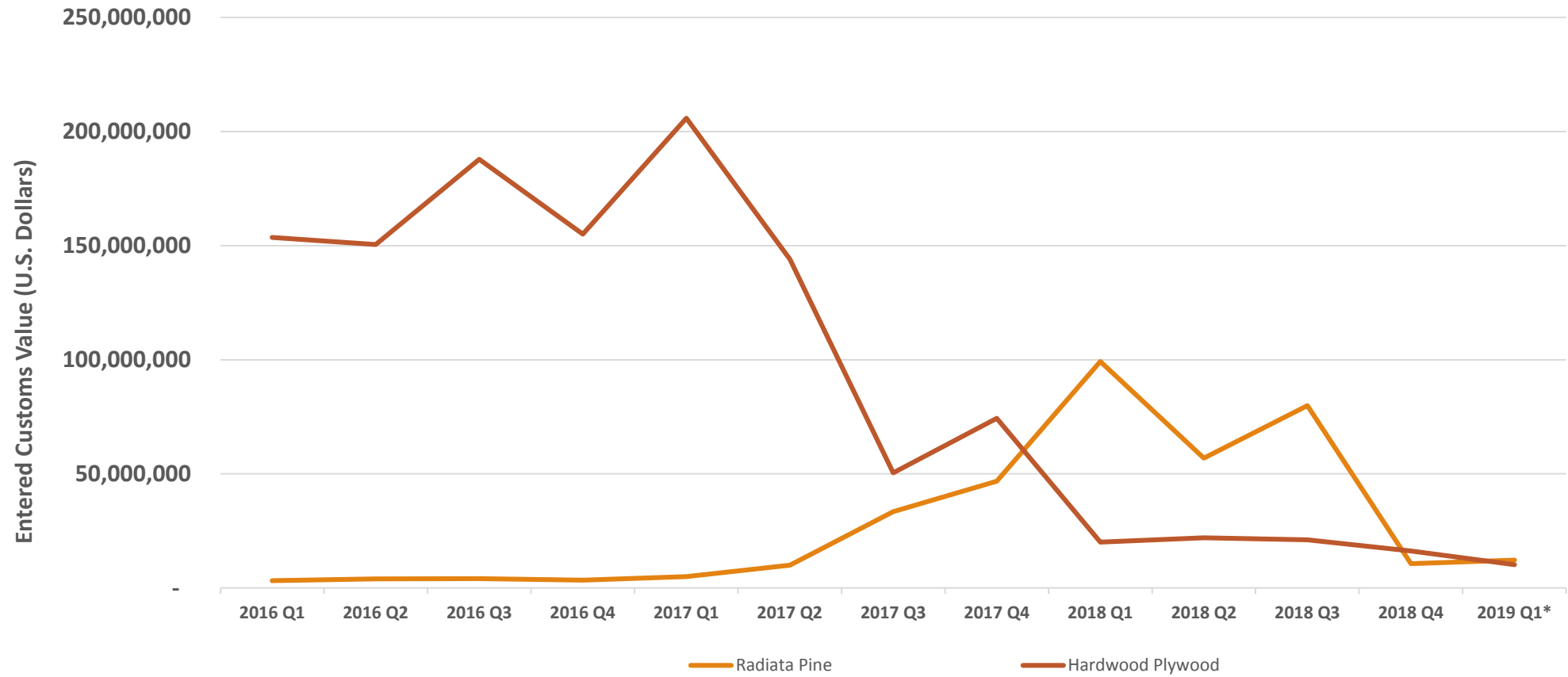
						2014	2015	2016	2017	2018	Jan - Apr 2018	Jan - Apr 2019	
		Partner			Product	Value	Value	Value	Value	Value	Value	Value	Period/Period %
													Change (Value)
		China		1	Softwood Plywood	27,580	25,911	16,514	106,156	303,679	121,109	32,169	-73
		Grand Total				27,580	25,911	16,514	106,156	303,679	121,109	32,169	-73

Notes:

1. Data Source: U.S. Census Bureau Trade Data

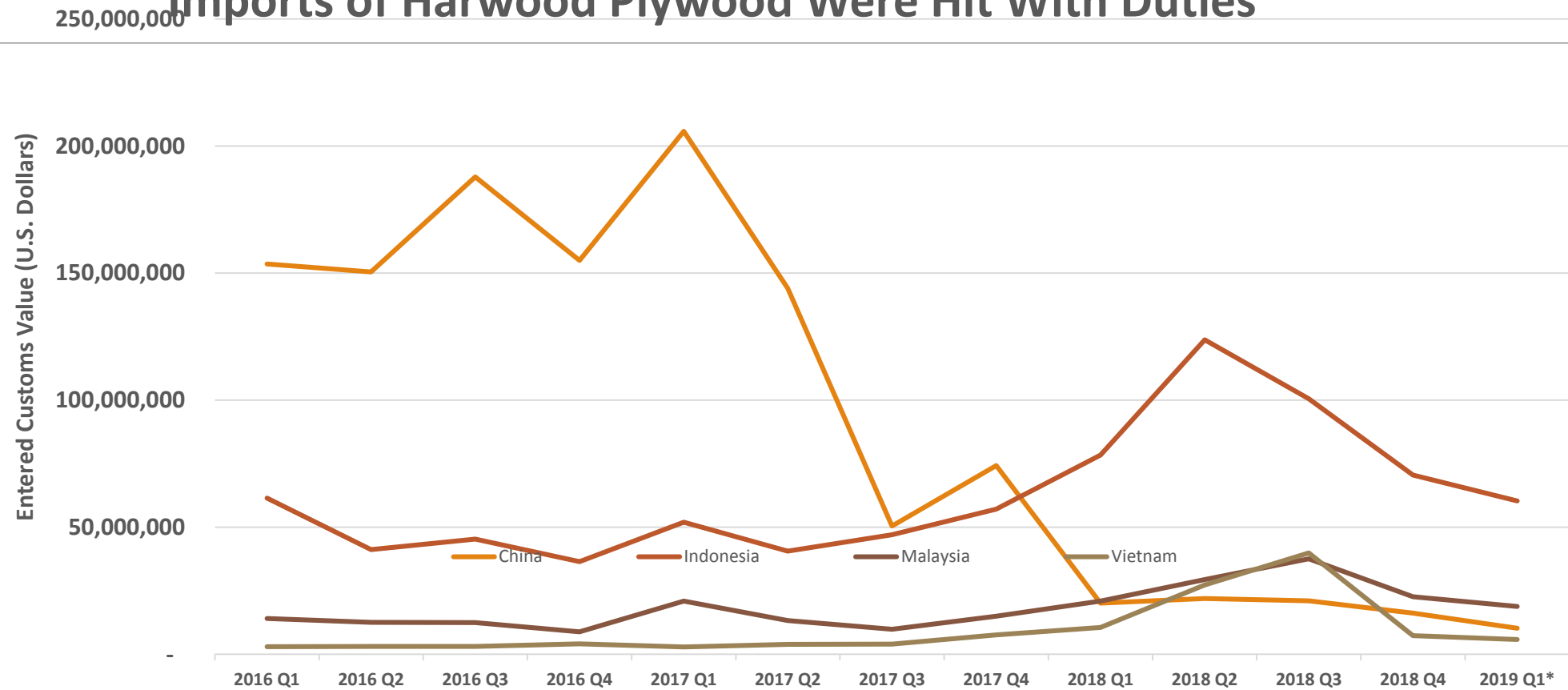
2. FAS Totals include all Agricultural commodities and FAS selected NONAG commodity items.

Aggressive Pressure to Enforce U.S. Trade Laws Has Resulted in Significant Decreases in Chinese Imports of Unfairly Traded and Circumventing Wood Products



Source: U.S. International Trade Commission, Dataweb

Southeast Asian Sources of Hardwood Plywood Are Attempting to Fill the Vacuum Created When Chinese Imports of Hardwood Plywood Were Hit With Duties



Source: U.S. International Trade Commission, Dataweb

How You Can Help ?

New products

Evidence or suspicion of cheating

- *E.g.*, duty evasion, transshipment, mismarking of grade, price, country of origin
- Tools for the domestic industry:
 - File an e-allegation regarding the evasion activity with CBP
 - File an Enforce and Protect Act allegation with CBP
 - False Claims Act filing (Bounty Hunter)

Administrative Reviews of Multilayered Wood Flooring AD/CVD Orders

The 6th administrative reviews are ongoing and the 7th administrative reviews are underway.

Final determinations in the 6th administrative review are currently scheduled for:

- AD: May 30, 2019 (may be extended)
- CVD: June 6, 2019 (may be extended)
- Proposed rates were 50%

Preliminary determinations in the recently initiated 7th review are currently scheduled for:

- AD: Sept. 3, 2019
- CVD: Sept. 3, 2019

Key Facts / Arguments in the KC AD/CVD Case – Major Domestic Market for U.S.

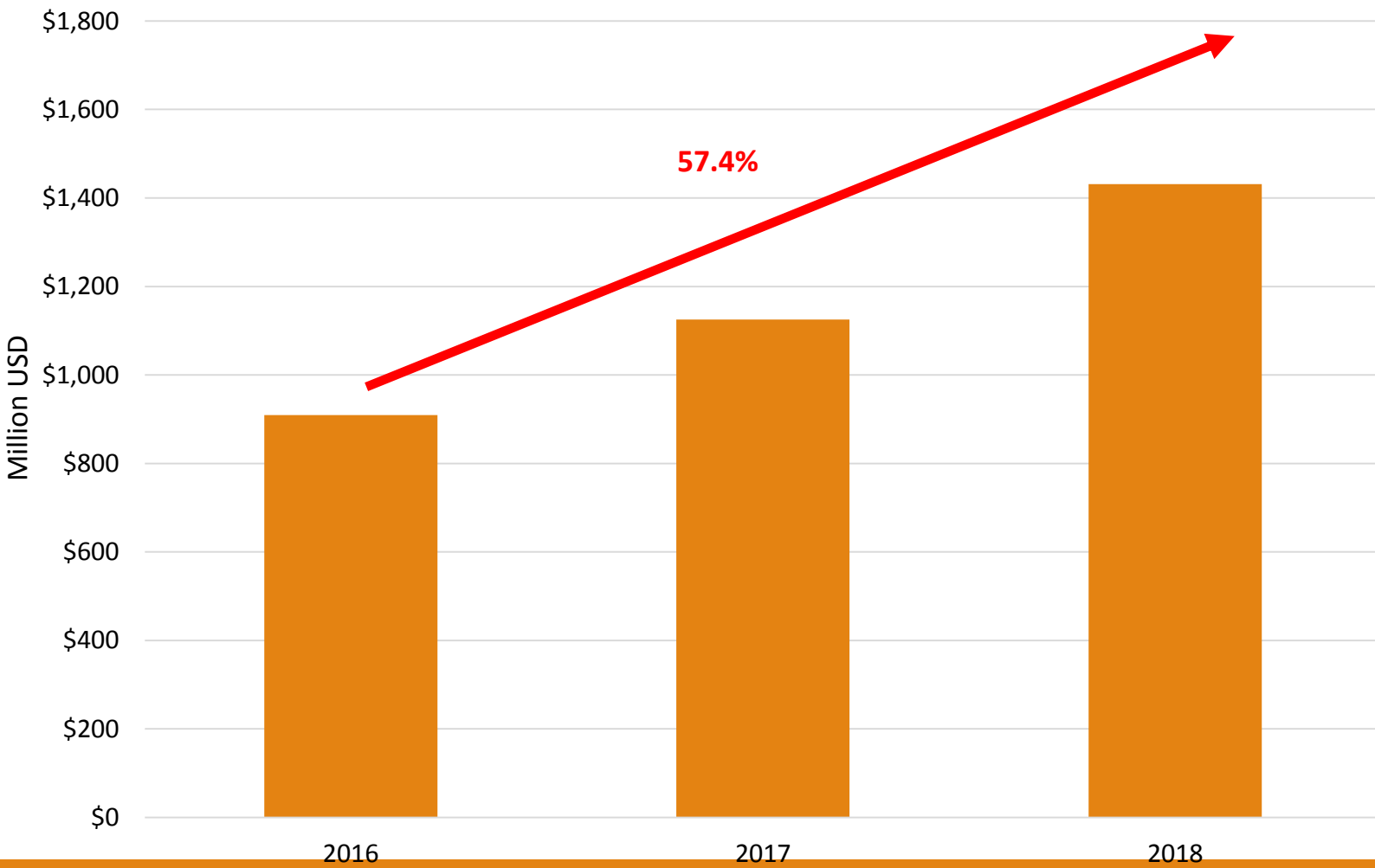
Subject imports increased by 57 percent during the POI, reaching about 18 million cabinets and \$1.4 billion in 2018

U.S. demand is strong and growing, but Chinese imports are taking market share at the direct expense of the domestic industry

Chinese imports compete head-to-head with domestic product in substantially all of the U.S. market and consistently undersell domestic products

The domestic industry's financial performance has declined significantly as a result of Chinese imports

KC Imports from China Are Significant and Growing



Source: USITC Dataweb, HTS Number 9403.40.9060 (Wooden Kitchen Cabinets).

Trade: China – One mind and One mission but...

China has a Game Plan

China is a communist, mercantilist country

Has target growth industries:
world's largest wood panel manufacturer (50%)

Dominate the entire value chain:
moldings and frames next

Political vulnerability – Hong Kong and Tiananmen Square

Slowing economy and unemployment

Limited wood resources

Largest importer of illegal wood in the world

Trade: U.S. – 2 minds and 2 missions

Free traders versus fair traders:
Trump is fair trader

Domestic industries injured have
remedies: slow and expensive

China has a circumvention plan
before the orders go into effect

U.S. supplies the domestic high
end markets or the entire US
market

- **China has “clout” politically in U.S.**
- **Importers like IWPA support China**
- **Downstream industries and consumers “hooked” on cheap**
- **IKEA and Wall Mart world**

REGULATIONS

Formaldehyde: EPA Title VI

“Fabricators”

- Closes “arbitrage” loophole

EPA TSCA Formaldehyde Risk Assessment underway

China announces a “formaldehyde free” resin for the wood industry (Huntsman Chemical)

HTS Codes: 0% tariff on birch

Devalues maple forest by 8%

Encourages “arbitrage”

Gives preference to the largest illegally harvested birch forest in the world

Log Exports

China is the world's largest importer of logs

Legal and illegal logs are fungible especially in engineered wood products

Americans are split by log producer (\$) or log user

New York Times article on MO walnut

China uses “non-tariff trade barriers” to keep veneer and other value added products from those same logs from entering China

“Labor theft”

Thank You for your time and attention



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Thank you for your time and attention

We're 99 next year!



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