

July 8, 2022

USITC Inv. No. 332-591
PUBLIC DOCUMENT

The Honorable Lisa R. Barton
Secretary to the Commission
U.S. International Trade Commission
500 E. Street, SW
Washington, DC 20436

Re: *Economic Impact of Section 232 and 301 Tariffs on U.S. Industries*: Prehearing Statement

Dear Secretary Barton:

On behalf of the American Manufacturers of Multilayered Wood Flooring and its individual members (“AMMWF”), we respectfully submit this statement in advance of the hearing scheduled to be held by the U.S. International Trade Commission on July 21, 2022 regarding the economic impact of the Section 232 and 301 tariffs on U.S. industries.¹ This prehearing statement is timely filed in accordance with the July 8, 2022 deadline for such statements.²

The AMMWF is an *ad hoc* association of U.S. manufacturers of multilayered wood flooring, as well as a hardwood veneer and plywood manufacturer that is a primary supplier to the wood flooring industry: AHF Products, LLC (“AHF”); Mohawk Industries, Inc.; Mullican Flooring, L.P. (“Mullican”); and Cahaba Veneer. AMMWF’s member companies proudly manufacture multilayered wood flooring and its inputs in a dozen facilities across the eastern United States, including production sites in Alabama, Arkansas, Missouri, Tennessee, Kentucky, Virginia, West Virginia, Pennsylvania, and New York.

¹ *Economic Impact of Section 232 and 301 Tariffs on U.S. Industries*, 87 Fed. Reg. 28,035 (U.S. Int’l Trade Comm’n May 10, 2022) (notice of investigation and scheduling of a public hearing).

² *Id.*

Pursuant to the third round of Section 301 tariffs, the U.S. government imposed additional, 25% tariffs in late 2018 on Chinese imports under tariff lines associated with wood flooring products that directly compete with U.S. manufactured multilayered wood flooring.³ These tariffs have been of significant benefit to AMMWF members and other U.S. multilayered wood flooring producers, who have long suffered from unfair and anticompetitive Chinese trade practices, including dumping and subsidization. Chinese producers and exporters of multilayered wood flooring benefit from numerous unfair trade practices such as those described through the United States Trade Representative's Section 301 investigation and have used these artificial advantages to inflict serious harm on the U.S. industry with which they compete. Indeed, the Chinese government has a number of plans and policies aimed at supporting the development of China's wood manufacturing sector and encouraging the export of wood products. These plans and policies include:

- In five-year plans issued by the Central Committee of the Communist Party of China, the Chinese government ("GOC") has explicitly stated its objective to accelerate and actively develop the forestry industry.⁴ The wood and wood products industry is considered to be a fundamental industry in China.⁵
- GOC policy objectives for the forestry industry were further developed in the *Resolution on Accelerating the Development of Forestry*,⁶ which identifies forestry as an industry that "must be placed in a more conspicuous position," "receive top priority," and be "accorded

³ Relevant tariff lines are identified in the attachment to this submission.

⁴ See Tenth Five-Year Plan for National Economic and Social Development, Government of the People's Republic of China, attached as **Exhibit 1**; see also Twelfth Five-Year Plan for Economic and Social Development, Government of the People's Republic of China, attached as **Exhibit 2**.

⁵ Terence P. Stewart, Esq., *China's Support Program for Selected Industries: Wood and Wood Products*, Stewart and Stewart (June 2007) at 31, available at <https://www.uscc.gov/sites/default/files/Research/TLAG%20Report%20-%20China%27s%20Support%20Program%20for%20Wood%20and%20Wood%20Products.pdf>.

⁶ See Resolution by the Chinese Communist Party Central Committee and the State Council on Accelerating the Development of Forestry (June 25, 2003), attached as **Exhibit 3**.

a fundamental position.”⁷ The Resolution sets the goal of increasing wood product supply⁸ and calls for: (1) an increase in direct government investment in the industry; (2) the provision of financial support; and (3) the reduction or elimination of taxes/fees on the industry.⁹ In addition, the Resolution requires that local governments support projects to develop fast-growth/high-yield plantations. Governments at each level are directed to provide long-term, low-interest loans and subsidize interest payments.¹⁰ The Resolution also calls for efforts to reduce tax burdens and administrative fees on the industry.¹¹

- The GOC has issued “decisions” that call for all levels of government to provide benefits to encouraged projects, which include projects in the forestry industry – specifically tree planting and seedling, fast-growth/high-yield plantations, industrial material forests, and construction of new and economic forest projects.¹²
- The GOC has issued “catalogues” that list industries to be treated favorably with respect to government investment decisions and projects, which specifically cover the forestry industries, including the planting and development of industrial raw materials and planting of forest trees, as well as the wood processing industries.¹³
- The GOC’s *Catalogue for the Guidance of Industrial Structure Adjustment*¹⁴ identifies the forestry and wood panel industries as “encouraged” industries.¹⁵

As a result of these unfair and illegal trade practices that are encouraged and supported by these policies, Chinese imports of wood flooring have had a devastating effect on the U.S. industry.

⁷ *Id.* at para. 4.

⁸ *Id.* at para. 3.

⁹ *See generally id.*

¹⁰ *Id.* at para. 18.

¹¹ *Id.* at para. 20.

¹² *See Temporary Provisions on Promoting Industrial Structure Adjustment*, AsianLII (2005), attached as **Exhibit 4**; *Directory Catalogue on Readjustment of Industrial Structure (Version 2005)*, China Trade in Services (Dec. 6, 2007), attached as **Exhibit 5**; *Catalogue for the Guidance of Foreign Investment Industries (Amended in 2011)*, Ministry of Commerce People’s Republic of China (Feb. 21, 2012), attached as **Exhibit 6**.

¹³ *See Directory Catalogue on Readjustment of Industrial Structure (Version 2005)*, China Trade in Services (Dec. 6, 2007), attached as **Exhibit 5**; *Catalogue for the Guidance of Foreign Investment Industries (Amended in 2011)*, Ministry of Commerce People’s Republic of China (Feb. 21, 2012), attached as **Exhibit 6**.

¹⁴ World Trade Org., *Subsidies – Replies to the Questions Posed by Turkey Regarding the New and Full Notification of China*, G/SCM/Q2/CHN/29 (Sept. 14, 2007) at 1, available at <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/G/SCMQ2/CHN29.pdf&Open=True>.

¹⁵ *See GOC’s Catalogue for the Guidance of Industrial Structure Adjustment (2011 Version)*, attached as **Exhibit 7**.

In fact, member companies of the AMMWF filed antidumping (“AD”) and countervailing duty (“CVD”) cases against Chinese multilayered wood flooring imports in late 2010 to combat these practices and obtain much-needed relief for the domestic industry. Prior to the imposition of the AD/CVD orders, there had been a significant increase in imports from China that directly contributed to the U.S. industry losing market share, reducing production capacity, and facing a deteriorating financial performance.¹⁶ While the trade remedy orders have played a critical role in leveling the playing field for U.S. multilayered wood flooring producers, the Section 301 tariffs have also played a crucial role in conjunction with the AD/CVD orders. For example, there are a number of Chinese wood flooring companies that are not covered at all by the AD order on multilayered wood flooring such that the Section 301 tariffs provide a critical additional check on these companies that would not otherwise exist.

The Section 301 tariffs have also directly impacted the quantity of Chinese wood flooring products imported into the United States. Indeed, while imports of Chinese goods under tariff lines associated with wood flooring products reached \$495,563,155 in 2018, these imports fell to \$291,967,258 in 2019, the first full year after the tariffs were imposed on these lines, and have since remained well below pre-tariff levels.¹⁷

Together with the antidumping and countervailing duties, the Section 301 tariffs have helped to invigorate U.S. production of multilayered wood flooring, as well as domestic

¹⁶ *Multilayered Wood Flooring from China*, Inv. Nos. 701-TA-476 and 731-TA-1179, USITC Pub. 4278 (Nov. 2011) at 24-36.

¹⁷ Import quantities under certain tariff lines identified in the attachment are measured in square meters, while others are measured in cubic meters. Imports of Chinese products in identified tariff lines that are measured in square meters reached 2,811,597 square meters in 2018, but fell to 1,477,333 square meters in 2019, and have remained well below pre-tariff levels. Likewise, imports of Chinese products in identified tariff lines that are measured in cubic meters reached 800,173 cubic meters in 2018, falling to 366,281 cubic meters in 2019, and continue to remain well below pre-tariff levels.

employment in the industry. Indeed, the Section 301 tariffs, in conjunction with the AD/CVD duties, have allowed the domestic industry to expand its production, sales, and employment. For example, the Section 301 tariffs were an important factor contributing AHF's ability to add a new facility in Turney, Tennessee and to expand the facility in Titusville, Pennsylvania. Similarly, Mullican has made large investments relying in part on sales projections based on the Section 301 tariffs remaining in place. Without the positive economic impact from the disciplines of the Section 301 and AD/CVD orders, large quantities of unfairly priced Chinese imports of wood flooring would undermine the significant investments that have been made and would be likely to result in U.S. facility closures and the loss of thousands of U.S. manufacturing and related jobs.

China has one of the largest wood processing industries in the world,¹⁸ and its forestry industry has experienced massive growth over the past two decades, even though Chinese producers are not naturally competitive in either domestic markets or export markets, given China's limited forest land and timber resources. China also serves as a conduit for illegal logging. In fact, illegal logging is estimated to comprise 40% of the international trade in timber, with China acting as the largest purchaser of international timber. This includes significant purchases of Russian logs, which are converted into finished wood products including wood flooring. The Section 301 tariffs, therefore, have the added benefit of restraining the sale of Russian-sourced wood, as well as illegally sourced wood from other countries, to the United States through China. With their significant beneficial economic impacts for U.S. producers, the Section 301 tariffs on

¹⁸ See *Wood Flooring and Hardwood Plywood: Competitive Conditions Affecting the U.S. Industries*, Inv. No. 332-487, USITC Pub. 4032 (Aug. 2008) at 4-1, available at <https://usitc.gov/publications/332/pub4032.pdf>; Frank Fang, *China's Timber Demand Is Destroying Forests in Russia and Zambia*, Epoch Times (Oct. 8, 2018), available at https://www.theepochtimes.com/chinas-timber-demand-is-destroying-forests-in-russia-and-zambia_2683609.html.

Chinese wood flooring imports help to combat these practices and serve as a critical piece to ensuring the continued growth and strength of American wood flooring manufacturing.

Please do not hesitate to contact us with any questions that you may have.

Respectfully submitted,

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ATTACHMENT**Tariff Lines Applicable to Chinese Multilayered Wood Flooring Products***(All Subject to 25% "List 3" Section 301 Duties)*

4412.31.06, 4412.31.26, 4412.31.42, 4412.31.45, 4412.31.48, 4412.31.52, 4412.31.61, 4412.31.92, 4412.33.06, 4412.33.26, 4412.33.32, 4412.33.57, 4412.34.26, 4412.34.32, 4412.34.57, 4412.39.10, 4412.39.30, 4412.39.40, 4412.39.50, 4412.41.00, 4412.42.00, 4412.49.00, 4412.51.10, 4412.51.31, 4412.51.41, 4412.51.51, 4412.52.10, 4412.52.31, 4412.52.41, 4412.52.51, 4412.59.60, 4412.59.70, 4412.59.80, 4412.59.90, 4412.59.95, 4412.91.06, 4412.91.10, 4412.91.31, 4412.91.41, 4412.91.51, 4412.92.07, 4412.92.11, 4412.92.31, 4412.92.42, 4412.92.52, 4412.99.58, 4412.99.61, 4412.99.71, 4412.99.81, 4412.99.91, 4412.99.97, 4418.73.20, 4418.73.30, 4418.73.40, 4418.73.60, 4418.73.70, 4418.73.90, 4418.74.10, 4418.74.20, 4418.74.90, 4418.75.40, 4418.75.70, 4418.79.01

Imports from China Under Affected Tariff Lines*Imports by Value*

Value Description	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	2021 YTD (Jan - Apr)	2022 YTD (Jan - Apr)
Value (where quantity in cubic meters)	\$111,210,505	\$438,293,417	\$264,727,230	\$156,375,164	\$188,639,983	\$46,838,919	\$122,802,549
Value (where quantity in square meters)	\$49,915,953	\$57,269,738	\$27,240,028	\$21,343,506	\$26,395,179	\$8,643,641	\$9,271,829
Total Value	\$161,126,458	\$495,563,155	\$291,967,258	\$177,718,670	\$215,035,162	\$55,482,560	\$132,074,378

Imports by Quantity

Quantity Description	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	2021 YTD (Jan - Apr)	2022 YTD (Jan - Apr)
cubic meters	273,471	800,173	366,281	286,023	380,337	81,231	187,494
square meters	2,662,293	2,811,597	1,477,333	1,163,761	1,201,620	389,734	381,447

EXHIBIT LIST		
Exhibit No.	Exhibit	Security
1	Tenth Five-Year Plan for National Economic and Social Development, Government of the People's Republic of China	Public
2	Twelfth Five-Year Plan for Economic and Social Development, Government of the People's Republic of China	Public
3	Resolution by the Chinese Communist Party Central Committee and the State Council on Accelerating the Development of Forestry (June 25, 2003)	Public
4	<i>Temporary Provisions on Promoting Industrial Structure Adjustment</i> , AsianLII (2005)	Public
5	<i>Directory Catalogue on Readjustment of Industrial Structure (Version 2005)</i> , China Trade in Services (Dec. 6, 2007)	Public
6	<i>Catalogue for the Guidance of Foreign Investment Industries (Amended in 2011)</i> , Ministry of Commerce People's Republic of China (Feb. 21, 2012)	Public
7	<i>GOC's Catalogue for the Guidance of Industrial Structure Adjustment (2011 Version)</i>	Public