SOMETHING FUNNY HAPPENDED ON THE WAY FROM THE COURTHOUSE

A coalition of several U.S. manufacturers of hardwood plywood brought an antidumping/countervailing duty case against Chinese manufacturers of hardwood plywood in September, 2012. After a final determination by the U.S. Department of Commerce that dumping margins of 55-121% were occurring and subsidies which were countervail able at 13-27%, the case went before the U.S. International Trade Commission which found for the Chinese 5-0 against the American manufacturers on Nov. 5, 2013.

Their determination was predicated on findings that no injury was occurring to the U.S. manufacturers and Chinese hardwood plywood was different from American hardwood plywood. The U.S. coalition appealed the decision to the U.S. Court of International Trade on Feb. 18, 2014 where oral arguments were heard in June, 2015, and a decision has not yet been rendered.

In this year's Presidential election, how well our government is working for the American people and international trade policy have both become major topics for all the candidates in both parties. Notwithstanding which side you support on the U.S. international trade policy debate or how well you feel the government is responsive to the needs and directions of the American people, this hardwood plywood case provides a teaching moment on the real world implications of the political rhetoric flying about.

Because the case was filed in September, 2012, the relevant import and manufacturing data for the case was in the 2011-2013 timeframe. No data before or after is considered including the appeal which is based on the administrative record of that case. During the period of the case, the preliminary Commerce Department findings of dumping margins and subsidies are imposed as duties on the Chinese hardwood plywood imports until the ITC makes its final decision on whether there is injury to the U.S. industry and the final determination of dumping margins and subsidies (68% to 148%) are then imposed. Temporary duties of 0.22% and 27% were imposed on Chinese hardwood plywood imports depending on the Chinese manufacturer during this period of time which is essentially 2013.

The table below sets U.S. hardwood plywood production from annual surveys conducted by the Hardwood Plywood Association for the last 5 years and an estimate for 2016. HPVA has been conducting annual industry production surveys for over 40 years. The units of measure are board feet. The production capacity for those years is also reported. The imports of Chinese hardwood plywood for those years (value in dollars) from the U.S. Department of Agriculture trade statistics data base is reported. Forest products are captured in the USDA data base as wood is considered an agricultural material. The other product reported is Chinese Ready to Assemble (RTA) kitchen cabinets.

So what do these data tell us? If the final rates had been imposed rather than the significantly lower preliminary rates, what impact then?

U.S. production has declined every year except 2013 when the temporary duties were imposed on Chinese imported hardwood plywood. Chinese hardwood plywood imports have increased every year except 2013. Ironically the percentage increase of U.S. production was 7% and the decrease of Chinese imports was 7%. This data confirms that only the imposition of an antidumping and countervailing duty off sets the Chinese predatory economic practices.

The RTA kitchen cabinet data is as interesting. In 2013, while U.S. producers enjoyed a short term uptick and Chinese hardwood plywood imports a corresponding downward movement, the hardwood plywood poured into the U.S. in just a different form. RTA kitchen cabinets are simply cut-to-size hardwood plywood with hardware (door pulls, hinges, and drawer slides). While hardwood plywood imports dropped about $60 million, RTA Chinese cabinets increased over 32% by $120 million that year. The subsequent years have witnessed comparable increases.

The implications are clear. The Commerce Department made a positive determination that the Chinese dump and subsidize these products. Absent counter measures by the U.S. government, the flood of Chinese imports will continue unabated. The U.S. hardwood plywood industry will not likely survive long term absent significant changes in the circumstances of this sector. The U.S. kitchen cabinet industry also has a target on its back.

U.S. Production and Capacity for UF Hardwood Plywood and Chinese HWPW Imports

Year	***US UF HWPW Production***	***% Change prior year***	***Capacity***	***Chinese HWPW Imports***	***% Change prior year***	***Chinese RTA Kitchen Cabinets***	***% Change prior year***
2011	694,679,349	-1%	1,782,363,000	$722,580,000		$338,048,296	8.60%
2012	690,239,895	-1%	1,858,368,000	$872,763,000	20%	$377,198,311	11.60%
2013*	736,820,534	7%	1,881,520,000	$812,295,000	-7%	$498,198,356	32.10%
2014	733,723,101	-0.04%	1,742,400,000	$ 1,023,004,000	26%	$594,628,491	19.40%
2015	692,760,763	-6%	1,633,200,000	$ 1,092,190,000	7%	$721,724,867	21.40%
2016(est)	651,120,159	-6%	1,633,200,000	$ 1,157,721,000	6%	$866,069,840	20.00%
*Temporary AD/CVD rate on Chinese HWPW imports						Estimated to exceed $1 billion in 2017-2018	