



October 19, 2018

Honorable Robert Lighthizer  
U.S. Trade Representative  
600 17th St., NW  
Washington, DC 20006

Dear Ambassador Lighthizer,

I am writing today to highlight a key issue for the recreation vehicle (“RV”) sector, its suppliers, and our consumers for which we need your assistance. We are a home-grown American manufacturing sector, using, whenever possible, American components. The RV Industry Association (“RVIA”) is very proud that 9 out of 10 RVs are manufactured in the United States.

We currently have a competitive needs limitation (“CNL”) waiver request pending before the GSP Subcommittee of the Trade Policy Staff Committee for a specific type of hardwood plywood made from trees that only grow in Indonesia and a few other tropical locations. Specifically, we use plywood made from tropical trees known as lauan and meranti. We appreciate the technical advice your staff has offered during the CNL process to assist our domestic manufacturing sector as we try to lower our costs and remain competitive. Unfortunately, we are dismayed by some serious flaws in the economic impact study carried out by the U.S. International Trade Commission (“ITC”).

These flaws result in an inaccurate report that if relied upon will perpetuate significant, ongoing damage to a U.S. manufacturing sector. These factual errors led to the inaccurate conclusion that like or directly competitive domestic production of our required plywood exists. If the CNL waiver is disallowed our industry will continue to pay \$1 million a month in duties for a material that cannot be purchased from domestic sources. The factual and analytical flaws in the report are outlined below.

- The ITC confirmed in a call with RVIA following the publication of the report that there was no data supporting claims by domestic plywood manufacturers that U.S. mills imported logs from Indonesia to make tropical hardwood plywood, but did not include that finding because this is a “he said, she said” matter and the lack of imports was not relevant to USTR. This means the ITC included claims they agreed were inaccurate but did not include publicly available information provided by RVIA in our post-hearing comments that disproved the inaccurate claims that there is domestic manufacturing of tropical hardwood plywood. U.S. government import data, which is enclosed for the relevant product, is factual and not a “he said, she said” situation.

- The ITC ignored sworn testimony from a prior trade remedy case by the same plywood manufacturers that Indonesian product does not compete with U.S. product, contradicting their claims regarding the CNL waiver.<sup>1</sup> Relevant quotes are provided below.
- The report places RVIA plywood imports under the *incorrect* 10-digit tariff line, skewing the results of the study. The report also cites a tariff line for birch plywood that *that no longer exists*.
- The report inaccurately states that prior studies have found a like and/or directly competitive domestic product.

There is No Domestic Production:

First, the report states “the United States produced both tropical (using imported tropical logs or veneers) and temperate hardwood plywood.” However, RVIA, despite our efforts to identify such domestic production and our review U.S. import data, found that there were zero imports recorded for logs of tropical hardwood for 2015-2017. This data, as noted in the enclosure, is found on the public ITC trade data website, and was confirmed by the ITC staff as accurate. ITC staff stated “it was impossible to include all the information for all products” in the GSP report. That is not acceptable. Their task is to do a balanced and objective investigation of the matter, not ignore hard data and simply accept inaccurate assertions without question.

Any evidence of domestic production within the report is based on emails marked as confidential from domestic plywood producers. In the interest of pursuing a domestic sourcing option, RVIA asked the ITC for any public statement, evidence, or record of domestic production that we could pursue. The ITC confirmed no public information on domestic production of tropical hardwood plywood even exists. Our companies are very familiar with domestic supply base. Thus, we have no doubt that if the plywood was indeed available, domestic producers would reach out to our members. They have not done so and our members’ attempts to identify domestic sources have consistently come up empty.

While the inaccurate arguments from domestic plywood producers were quoted significantly, our post-hearing brief, which included statements from RV manufacturers, wholesale suppliers, and importers confirming that no domestic supply chain exists was effectively ignored. We also provided quotes from the same domestic producers who testified within the past year *under oath at the ITC* in a previous case that Indonesian tropical hardwood plywood was a distinct product that does not compete with the products made by the domestic industry.<sup>2</sup>

***This point was made repeatedly during a dumping and countervailing duty investigation by the same coalition that now claim Indonesia competes with U.S. production. While the very same members of the Coalition for Fair Trade in Hardwood Plywood did not testify at the CNL waiver hearing, Coalition members did testify under oath during the trade remedy investigation on Chinese hardwood plywood and offered a very different view of the market:***

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<sup>1</sup> Hardwood Plywood from China, Inv. Nos. 701-TA-565 and 731-TA-1341 (U.S. ITC Pub. No. 4747) (December 2017)

<sup>2</sup> *Ibid*

As Gary Gillespie, Executive Vice President Columbia Forest Products states, “If I may add to that, I think if you look closer to the thickness mix of the product coming in from Indonesia, the non-subject, **it's going to be very thin and the thinner you go with hardwood plywood the least expensive it is on a per thousand square foot basis and that's a specialty of the Indonesians.**”<sup>3</sup>

Kris York, a General Manager at Murphy Plywood testified “Commissioner Broadbent, the simple explanation is **they really are different products. Malaysian, Indonesian, and Philippine imported plywood is not birch face, maple face, cherry face. It's tropical hardwood face plywood and we really don't compete in that arena. They really are different products.**”<sup>4</sup>

William Caine of Commonwealth Plywood testified that U.S. manufacturers are not competing with plywood other than Chinese products. “**we're not competing in that marketplace against that [non-Chinese] product. We're competing against a hardwood plywood to which the Chinese are making and duplicating.**”

The report contains substantial other errors. First, the report misclassifies the imports by RVIA under the wrong 10-digit tariff line (Page 225). The tariff line they inaccurately utilized accounts for approximately \$7 million in imports annually – 4412.31.4150. The RV sector uses approximately \$12 million a month in plywood, which RVIA noted during the ITC hearing. This means the analysts drafting the report assumed the majority of imports under the 8-digit tariff line were *not* used by RVIA. In truth, if they had used the correct tariff line, 4412.31.4160, the ITC would have examined a 10-digit tariff line that accounts for approximately \$160 million in imports annually, matching RVIA’s industry analysis. *This alone could change the outcome of the investigation.*

This is particularly egregious given that RVIA successfully petitioned the ITC for a new 10-digit tariff line less than three months earlier, *specifically because our imports did not meet the requirements of 4412.31.4150* which was limited to plywood with a small length and width. Our industry uses larger plywood sheets to avoid unnecessary seams in walls, floors, and the exterior of RVs.

Second, the ITC cited a tariff line for birch plywood that could be like or directly competitive. Here, they did not utilize an incorrect 10-digit tariff line, they cited a tariff line *that doesn't exist*. This lack of attention to detail in this study is not acceptable given the possible negative impact on our sector.

Finally, we would note that the last line of the report states that no other statements beyond one statement from RVIA and one statement from the Coalition for Fair Trade in Hardwood Plywood were received by the ITC. In fact, the International Wood Products Association testified at the hearing in support of the CNL waiver being granted. However, because the Association did not file a summary of that testimony, the ITC improperly ignored their public testimony and support for the CNL waiver.

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<sup>3</sup> Hearing Transcript, *In the Matter of Hardwood Plywood from China*, U.S. International Trade Commission Inv. Nos. 701-TA-565 and 731-TA-1341 (Final)(October 27, 2017) (transcript at 98)

<sup>4</sup> *Ibid* at 100.

### The Report Misstates Prior Findings:

The report notes that the Commission has considered all hardwood plywood a like and/or directly competitive product during a 2005 GSP review, and two AD/CVD cases. First, it's important to note that the 2005 GSP review *did not ask that question* and the result of that process was GSP duty-free being *granted*, not denied. The 2005 review, which occurred immediately after a typhoon hit Indonesia, the U.S. Trade Representative instead asked “whether any industry in the United States is likely to be adversely affected” if Indonesian plywood is granted duty free. In this year’s review, The U.S. Trade Representative specifically asked that the “Commission provide its advice as to whether a like or directly competitive articles was produced in the United States in any of the preceding three calendar years.” This is, at best, an inaccurate comparison between the studies.

Second, the hardwood plywood antidumping and countervailing duty case did *not* find that Indonesian plywood was like or directly competitive. In that case, the ITC found that most imports from Indonesia went to parts of the market that utilize thinner tropical hardwood, including ours, where domestic production does not exist. In thicker segments of the market, Indonesian plywood was a small portion of the market, and competed fairly with U.S. plywood:

As shown in the Staff Report, there are meaningful quantities of nonsubject imports [from Indonesia] in the U.S. market. However, as explained at the Hearing, **the domestic industry does not face the same type of competitive pressure** from nonsubject [Indonesian] imports as it does from subject imports ... The limited competition between the domestic industry and nonsubject [Indonesian] imports (as compared to subject [Chinese] imports) is a result of (1) substantial quantities of nonsubject [Indonesian] imports largely having different physical characteristics and competing in different segments of the market, and (2) generally speaking, fair competition from nonsubject [Indonesian] imports that are present in domestic industry’s major market segments. Accordingly, any competition with these imports is dwarfed by the competition of dumped and subsidized Chinese imports present in essentially all market segments. Indeed, this is fully consistent with the Staff Report, which shows that the majority of the market share lost by the domestic industry was captured by subject [Chinese] imports.<sup>5</sup>

RVIA also reminded the ITC in our post-hearing brief that U.S. plywood producers do not produce plywood that is thinner than 3.9 mm, which is a requirement of our sector. This was examined extensively with regard to like and/or directly competitive analysis by the ITC in the 2017 trade remedy investigation on hardwood plywood from China. The ITC agreed and found Indonesian imports, referred to as “nonsubject” imports, did not compete with U.S. production:

We acknowledge that nonsubject imports were sold at lower AUVs than the domestic like product throughout the period of investigation. Nevertheless, the record indicates that there is limited competition between nonsubject imports, on the one hand, and subject imports and the domestically produced product, on the other hand. **Nonsubject imports are overwhelmingly sold with face veneers of tropical species, whereas relatively little subject and domestic hardwood plywood is sold with face veneers of tropical species. Additionally, most nonsubject imports were sold for recreational vehicle/mobile home uses, which constituted a very small market for the domestic industry and a relatively small market for subject imports.** Conversely, cabinetry, which we have identified as a principal area of competition between the domestic industry and

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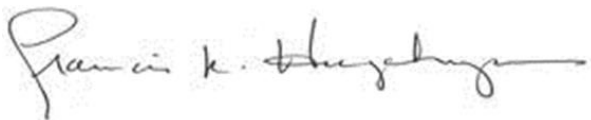
<sup>5</sup> Hardwood Plywood from China, Inv. Nos. 701-TA-565 and 731-TA-1341 (U.S. ITC Pub. No. 4747) (December 2017)

subject imports, accounted for less than 6 percent of U.S. shipments of nonsubject imports throughout the period of investigation. Furthermore, nonsubject imports were more highly concentrated in very thin plywood than either subject imports or the domestic like product.<sup>6</sup>

As the ITC found in this case, the RV industry is a very small market for domestic plywood. U.S. plywood, including pine, cherry, and walnut, may be used to cater to consumer preference for those woods in cabinetry, shelving, or bedframes in RVs. But these applications are completely different than the structural requirements for which we utilize lauan and meranti from Indonesia. As a domestic industry representative cited above testified during the trade remedies case: **“Malaysian, Indonesian, and Philippine imported plywood is not birch face, maple face, cherry face. It's tropical hardwood face plywood and we really don't compete in that arena. They really are different products.”**

Given the multitude of errors found in this study, we would respectfully request that you ignore this obviously flawed ITC study in your consideration of our CNL waiver request.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank Hugelmeier", with a long horizontal flourish extending to the right.

Frank Hugelmeier  
President and CEO  
RV Industry Association

Enclosure

CC: Erland Herfindahl, Director, GSP Subcommittee, Trade Policy Staff Committee

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<sup>6</sup> Hardwood Plywood from China, Inv. Nos. 701-TA-565 and 731-TA-1341 at 27-28 (Final (U.S. ITC Pub. No. 4747) (December 2017))