TESTIMONY OF BRAD THOMPSON

Good morning. My name is Brad Thompson. I am here today as a representative of the Coalition for Fair Trade of Hardwood Plywood. I am also the President and CEO of Columbia Forest Products. Thank you for this opportunity to testify today on Chinese technology, intellectual property, and innovation practices, and to discuss why it is imperative that U.S. imports of Chinese softwood faced plywood are added to USTR's Section 301 list.

Our domestic coalition of hardwood plywood manufacturers represents the vast majority of production capacity in the United States. Its member companies employ thousands of workers at facilities across the country. My company, Columbia, is the largest producer of hardwood and decorative plywood in the United States. In 2017, we produced close to 400 million square feet of plywood. We are proud to be an employee-owned company. Our 2000 owners work in eight different states across the United States, and we are in two Canadian provinces.

Only a few years back, the domestic industry was near collapse due to unfair Chinese trade practices. As a result, the Coalition filed antidumping and countervailing duty petitions against unfairly traded imports of hardwood plywood from China in November 2016. Last December, the International Trade Commission unanimously found that U.S. imports of Chinese hardwood plywood were causing material injury to the domestic industry. The Commission found that

Chinese imports gained U.S. market share at the expense of the domestic industry, significant underselling by Chinese imports, and that, despite increasing U.S. demand, the domestic industry's production, capacity, sales, and employment all declined.

In January 2018, the Commerce Department finalized its orders imposing significant duties on Chinese hardwood plywood – more than 200 percent combined in the dumping and subsidy cases. The merchandise covered by these orders is hardwood and decorative plywood, which is largely used for interior purposes.

While the trade orders have benefited the domestic hardwood plywood industry, these benefits are being eroded by Chinese circumvention. The scope of the hardwood plywood orders provides that in-scope merchandise has at least one face made of hardwood. Even before preliminary duties were imposed, Chinese producers began to evade them by offering a new product: interior plywood with face and back veneers made of softwood, such as radiata pine. This product was used for the same applications as in-scope merchandise, but was developed specifically to circumvent the anticipated AD/CVD orders.

The result of this circumvention has been a surge in U.S. imports of radiata pine, and other softwood faced species, from China. To illustrate the gravity of the situation, prior to the filing of our trade case, U.S. imports of Chinese plywood with a face and back veneer of certain softwood species, much of which is radiata pine,

totaled about 40,000 cubic meters in 2016. After Commerce initiated our trade case, these imports surged by more than 500 percent, reaching a staggering 230,000 cubic meters by year's end. Now that the orders are in place, Chinese producers have become even more relentless. They have moved up the value chain, saturating the U.S. market with unfairly traded softwood faced product at the direct expense of U.S. producers, U.S. workers, and, more generally, the U.S. economy.

In the first two months of this year alone, Chinese imports of softwood species exceeded 109,000 cubic meters, which is nearly triple the volume that entered the U.S. market in all of 2016. In other words, despite the significant duties imposed on Chinese hardwood plywood, the domestic industry is still losing sales to heavily dumped and subsidized Chinese imports. This result is unacceptable. Neither our companies nor workers can compete with a Chinese industry that refuses to play by the rules, and a government that supports them. Nor should we have to!

I am here today to ask USTR to add HTS provisions for radiata pine and other softwood faced species to the list of tariff lines to be covered by the agency's proposed Section 301 tariffs on Chinese merchandise. Doing so would have the benefit of targeting a massively subsidized Chinese industry, and address China's technology, intellectual property, and innovation practices. Adding these HTS provisions also would address the circumvention of trade remedies, and benefit the U.S. economy overall. Thank you for your time and attention.