Testimony of Shengfu Wu of China National Forest Products Industry Association at the U.S. International Trade Commission
September 19, 2013

Good afternoon. My name is Wu Shengfu, the Director of Marketing Department for the China National Forest Products Industry Association. I would like to talk to the Commission today about the hardwood plywood industry in China and explain why it does not pose a threat to the U.S. hardwood plywood Industry. Of course, we agree that there is demand for the thinner face veneers and the U.S. industry will not be able to make those veneers no matter what happens in this case.

Our association has worked hard be make sure the Commission has a completed record of the industry in China just as we did in the Section 332 investigation in 2007. Members of our association provided 80 questionnaire responses, of which 76 were from producing companies and 4 were from companies that no longer produce. With the other Chinese responses, be believe that this accounts for substantial majority of production in China for goods exported to the US. The Commission therefore should have complete coverage of the industry in China.

The Chinese hardwood plywood industry is increasingly focused on the domestic market where the demand has been strong and growing. This has been particularly true in 2012-2013. The building industry in China has been booming and strong growth is expected to continue for the foreseeable future as millions of people achieve middle class lifestyles.

The data that has been submitted shows that capacity utilization in China is and remains high. While exports to the United States have dropped in 2013 due to the high preliminary dumping and CVD margins for those companies who cooperated with Commerce and were not selected individually, the Chinese home market demand has increased, as have other export markets. This is not an industry that has built or keeps a lot of excess capacity. It capacity is in line with the demand in the market.

I think that the Commission knows that capacity in China for plywood is almost all for the thin face veneer product. That is what we sell in China, in third countries, and in the U.S. That is what China specializes in because it is a labor intensive product. Only lower labor cost countries such as China, Vietnam, Indonesia, Malaysia and similar countries can efficiently make this thin face veneer product.

I know that the Petitioners here are saying that there are a huge number of plywood companies in China. But this is not true when we examine companies that can export to the US. For any sophisticated market like the U.S. or Europe, the exports need to be qualified by the buyer and the physical quality needs to be good. Another barrier to entry into the US market is being qualified under the Lacey Act as well as under the California Air Resources Board ("CARB") for California and other US markets. U.S. buyers usually stay with the same reliable suppliers who have a track record of compliance, rather than taking risks.

Chinese producers have no need to focus only on the markets in the U.S. or other developed countries. Plywood demand is driven mainly by the many end uses inside China for the products, including uses in kitchen cabinets, engineered flooring, concrete forms, container floors, furniture, and packaging. Housing starts continue to be strong in China and with an increased demand for products using plywood.

It is important that in looking at the statistics to examine only hardwood plywood and not double count products. For example, in China the production of veneers is counted once as a production of plywood and then again as a part of the production of the finished plywood. Thus, data problems are serious for Chinese and also sof U.S. import statistics. I think that the Commission understands this problem with the U.S. statistics and that is why it relied on importers' questionnaires in the recent multilayered wood flooring case. If the official statistics were not good enough for the flooring case, I cannot see how they could be good enough for the plywood case.

I would like to address the issue of capacity as reported in our members' responses. You can see that capacity is being used at a high rate in China and is in line with the demand. The Commerce Department found, there are no subsidies in this industry for any of the companies actually examined and there is no ability or inventive for these private companies to expand without a market being available.

The plywood prices in Europe and even in China now are higher than in the U.S., so the incentives to sell more into the U.S. now are much less than the incentives to expand the sales into the Chinese market or into Europe.

Finally, I should mention that the exchange rate and the labor costs are making Chinese products less competitive every day, and I do not see that changing. In the last few years, RMB has increased in value against the dollar by over 20 percent and the labor costs are increasing rapidly by about the same amount in almost every area in China. In addition to the other issues that I mentioned, this will make the home market of China even more attractive in the future.

For these reasons, I ask the Commission to conclude that China does not pose a threat to the U.S. industry producing hardwood plywood. Thank you. I will be glad to answer any questions.