Wooden Cabinets and Vanities from China

Presentation of the Domestic Industry

March 27, 2019

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Introduction

- There is a reasonable indication that imports of wooden cabinets and vanities from China are materially injuring, and threaten, the domestic industry
- Subject imports increased by 57 percent during the POI, reaching about 18 million cabinets and $1.4 billion in 2018
- U.S. demand is strong and growing, but Chinese imports are taking market share at the direct expense of the domestic industry
- Chinese imports consistently undersell domestic products
- The domestic industry's financial performance has declined significantly

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AD and CVD Petitions

- Petitioners represent a substantial majority of the domestic industry
- The antidumping petition alleges dumping margins of more than 175 percent
- The countervailing duty petition identifies more than 35 subsidy programs that have benefitted the Chinese wooden cabinet and vanity industry

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Domestic Like Product

- There is a single domestic like product co-extensive with the scope
- Cabinet/vanity components are dedicated for use in a full unit and have no other purpose
- Cabinets and vanities are a single like product

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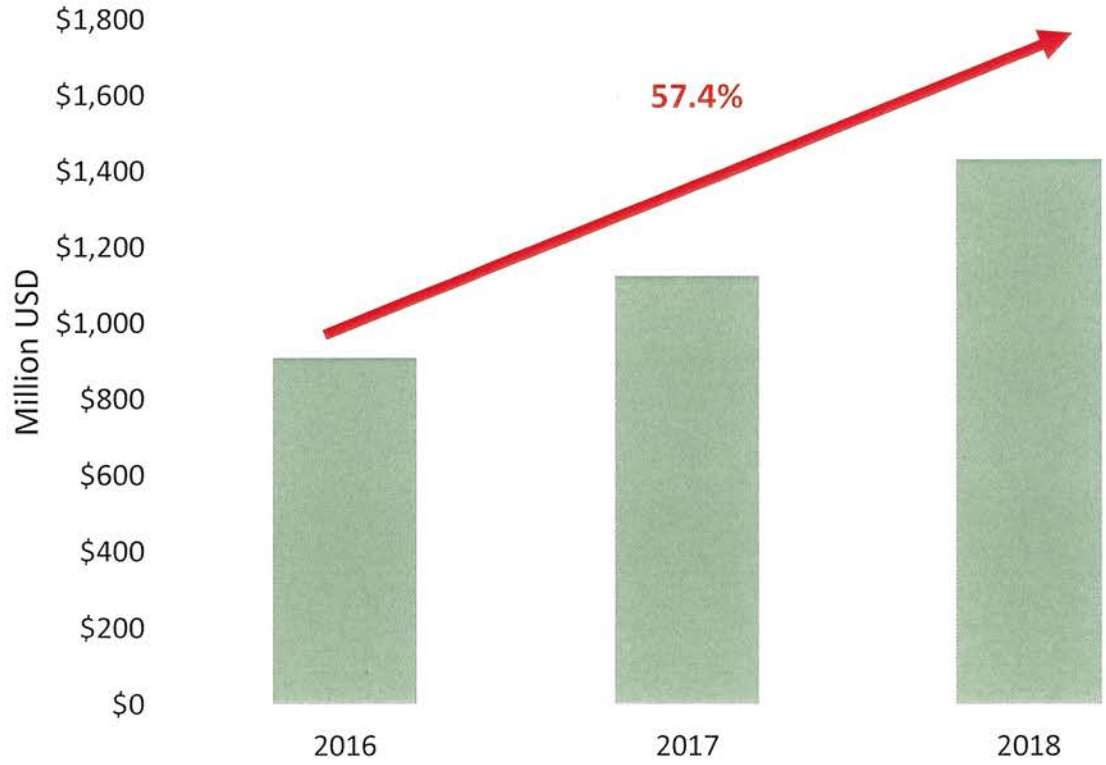
Subject Imports are Significant and Growing



Source: USITC Dataweb, HTS Number 9403.40.9060 (Wooden Kitchen Cabinets).

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Chinese Imports Compete Directly with U.S. Product

- There is a single continuum of products in the cabinets/vanities market
  - Both Chinese and domestic producers make and sell the same product configurations
- Chinese imports consistently undersell the domestic product by 20 – 50% or more
- Chinese producers have taken substantial market share from the U.S. industry
  - The loss in the domestic industry's market share has cost it over **$110 million** since 2016

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- Chinese producers are targeting the US market

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The Domestic Industry's Financial Performance Has Declined

- Demand for wooden cabinets and vanities has increased by nearly 15% during the POI
- Despite strong demand, dumped and subsidized Chinese imports deprived the domestic industry of increased shipments
- The financial performance of the industry suffered
  - Capacity utilization has **fallen**
  - Operating and net profits are all **down**
  - U.S. producers have shuttered facilities, laid off employees, and gone bankrupt
- The harm has intensified in 2018

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The Domestic Industry Is Materially Injured

- The ITC must make an affirmative preliminary determination if it finds that there is a reasonable indication that imports are a cause of material injury
- The questionnaire responses and record information show that there is a reasonable indication of material injury in this case:
  - Rising import volumes
  - Increased import market share
  - Underselling and lost sales
  - Declining financial performance for the domestic industry

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Chinese Imports Threaten the Domestic Industry with Injury

- Declining profitability and loss of market share have rendered the domestic industry **vulnerable**
- The **subsidies** received by the Chinese wooden cabinet and vanity industry encourage exports
- The Chinese industry has large amounts of **available capacity**, is adding capacity and can expand production
- Chinese imports **undersell** the domestic product consistently and by significant margins
- Competition with Chinese imports has **harmed and discouraged investments** in new equipment and technology by the domestic industry

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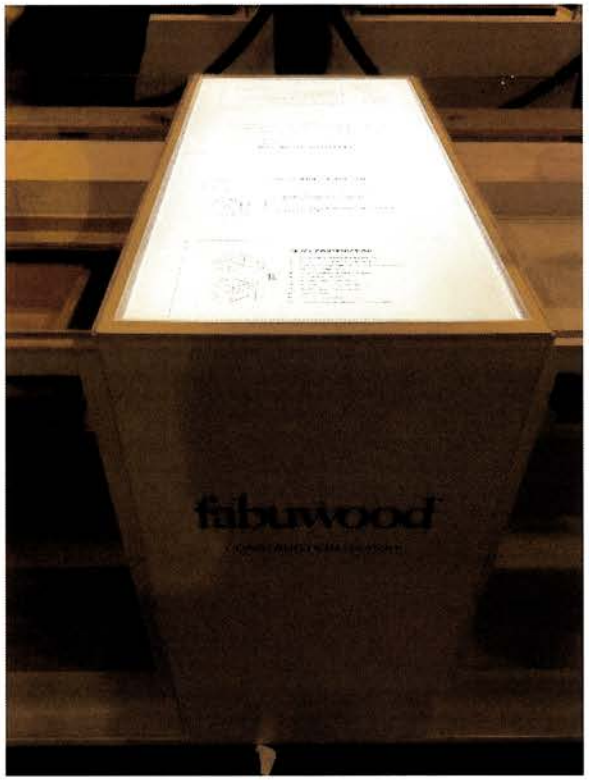

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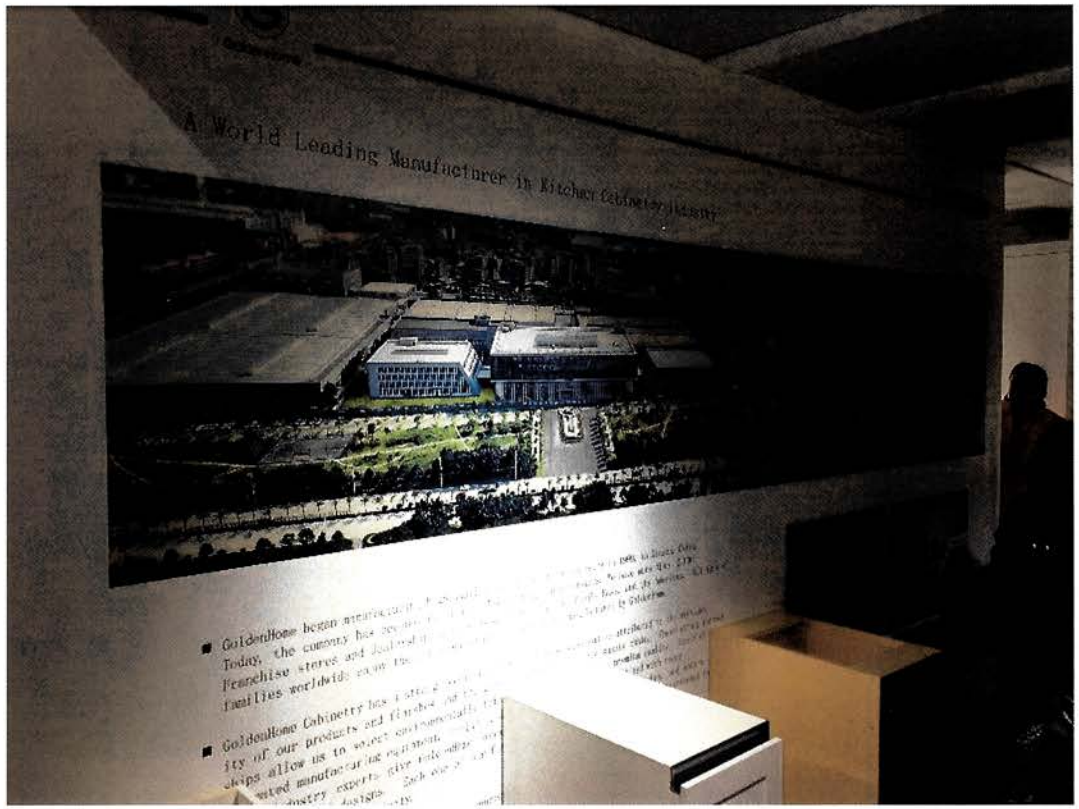

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The ITC Must Make an Affirmative Preliminary Determination

- Chinese imports took at least five percentage points of market share from U.S. producers
- While demand increased:
  - Capacity utilization dropped
  - Operating profit dropped
  - Net income dropped
- U.S. facilities closed and experienced prolonged shutdowns
- U.S. producers went out of business
- Planned expansions were cancelled
- Returns on investments were harmed

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