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4TH DISTRICT, OREGON

TRANSPORTATION AND
INFRASTRUCTURE
RANKING MEMBER



Congress of the United States
House of Representatives

October 26, 2017

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TESTIMONY OF:
The Honorable Peter A. DeFazio
Member of Congress

BEFORE:
The U.S. International Trade Commission

REGARDING:
Hardwood Plywood from China
Inv. Nos. 701-TA-565 and 731-TA-1341 (Final)

I am pleased to speak today on behalf of a critical foundation of America's forest products industry. Thousands of families in the hardwood veneer and hardwood plywood industry in Oregon and across the U.S. are fighting to survive the onslaught of unfairly traded hardwood plywood products from China. I join them today in their fight because it will determine the future of my region and others like it across the U.S.

As someone who represents a very substantial portion of Oregon's hardwood production, I know how devastating underpriced imports and unfair trade practices can be on vulnerable timber-dependent communities. My state is the largest producer of hardwood plywood products in the country, and a majority of Oregon's hardwood is manufactured by my constituents in south-western Oregon throughout Lane, Douglas, and Josephine and Counties.

If you represented the 4th District of Oregon, you would have seen firsthand, long before today, the damage to families and communities illegally traded Chinese imports have caused. For many of the timber communities I represent, the local lumber producer is the single largest—and potentially only—source of employment. However, thanks to rapidly increasing Chinese imports undercutting our domestic manufacturers, many of my constituents have lost their jobs and facilities in my district have been forced

to shut their doors destroying family wage jobs, communities, and the American dream for those directly affected.

This is a very bitter pill for my communities to swallow because Oregon manufacturers take advantage of their proximity to the world's greatest temperate forest and use cost-effective, state-of-the-art manufacturing technology to produce the best quality hardwood plywood products in the world. But in today's instant gratification, cost-conscious world, no commercially-financed business can compete against companies financed by the Bank of China, where return on investment is a secondary concern and selling below the cost-of-production is viewed as a long-term, national economic strategy.

Some may want you to believe it was the economic crisis of 2008 that caused the downturn in the U.S. hardwood plywood industry, but the data has proven otherwise. For the past 15 years, China has subsidized the production and manufacturing of hardwood plywood products and dumped them into the American market at unfair prices. These illegal government subsidies include tax breaks, discounted land, and raw materials. Four years ago, when this case was brought forward, this Commission could not find material injury against the American hardwood plywood industry. I'd like to share with you some facts that have come to light since then:

- over the last three years, production of Chinese hardwood plywood products has increased by almost 40% with Chinese imports valuing more than \$1 billion in 2016;
- Chinese imports were up another 40% in January 2017 from the year before;
- China now controls 55% of the American hardwood plywood market; and
- the Department of Commerce's own investigation found that exporters from China sold hardwood and plywood products for as much as 114% below fair value.

Exports that are subsidized—especially from deep-pocketed, non-market economies like China—create an inherently un-level playing field. Investigations like the one we are considering here today are one of the few tools the U.S. has in combating illegal trade practices and protecting what's left of our domestic manufacturing industry.

My constituents are fighters, amazingly hard workers, and some of the best in the world at growing, managing, and milling wood. Given a level playing field, these hardworking American craftsmen and women will compete and win against anyone in the world. They, and thousands of others across the U.S.,

are counting on you to do your part to remedy unfair trade practices and restore a level playing field for lawful competition in the free market.

I commend the Commission for pursuing this investigation and am hopeful that the rule of law prevails. Thank you for the opportunity to share my views as you make your final determination in this case.