

2023 Trade Update

Webinar for the KCMA

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The opinions expressed herein are those of Schagrin Associates and do not necessarily reflect the position of the Kitchen Cabinets Manufacturers Association (KCMA).

Overview

- Impact of Trade Cases: Before and After Relief Provided
- Ongoing Efforts to Keep AD/CVD Relief Strong and in Place
 - Administrative Reviews
 - Appeals at U.S. Court of International Trade (CIT)
 - Scope Rulings
- Efforts to Combat Evasion of the AD/CVD Relief
 - EAPA Determinations
 - Countrywide Scope / Circumvention Inquiries

AD/CVD Cases on Imports from China

Before and After the Trade Cases

Comparing the state of the domestic industry before and after the trade cases were filed against China shows that the trade cases rescued the domestic industry from an all-but-certain demise.

USITC Final Determination

Volume of Chinese Imports

- ***Increased from '16-'18.*** The volume of imports of cabinets, vanities, and components from China increased from \$1.0 billion in 2016 to \$1.3 billion in 2017 and \$1.6 billion in 2018, or by 53.8 percent.
- ***Increased More Than Demand.*** Subject import volumes increased more than apparent U.S. consumption, resulting in increased market share for subject imports over the period of investigation (POI).

USITC Final Determination

Price Effects

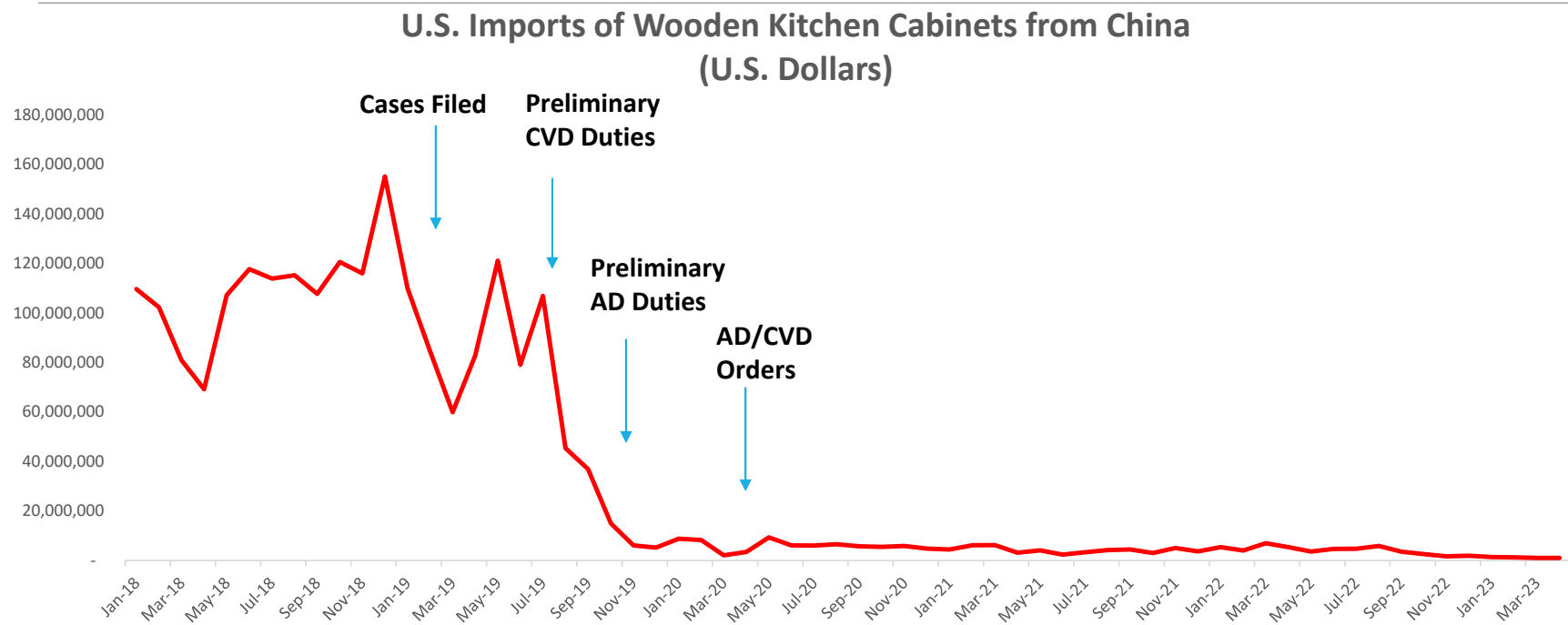
- ***Significant Underselling.*** Chinese imports undersold the domestic like product in 115 of 120 quarterly price comparisons.
- ***Significant Price Suppression.*** The domestic industry was unable to increase prices sufficiently for wooden cabinets and vanities to cover its rising costs during a period of increasing demand. Chinese imports prevented price increases for the domestic like product, which otherwise would have occurred.

USITC Final Determination

Impact on the Domestic Industry

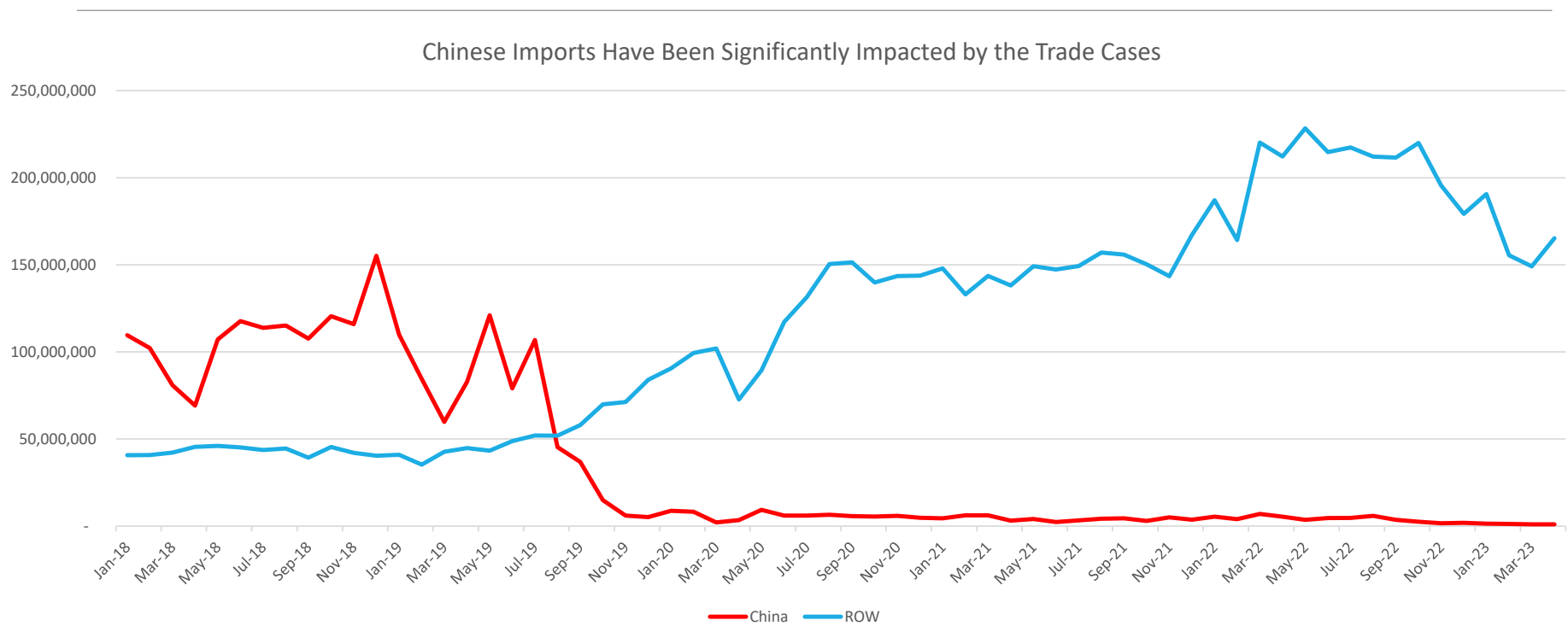
- **Lost Market Share.** Increases in the domestic industry's shipments by value each year of the POI were at a lower rate than increases in apparent U.S. consumption, which resulted in a decline in the domestic industry's market share.
- **Declining Performance.** While the domestic industry's production and financial performance were generally steady between 2016 and 2017, it experienced declines in performance in 2018.
- **Wages and Workers.** The number of production-related workers ("PRWs"), total hours worked, and wages paid increased between 2016 and 2018 but were lower in interim 2019.

Impact of Trade Cases



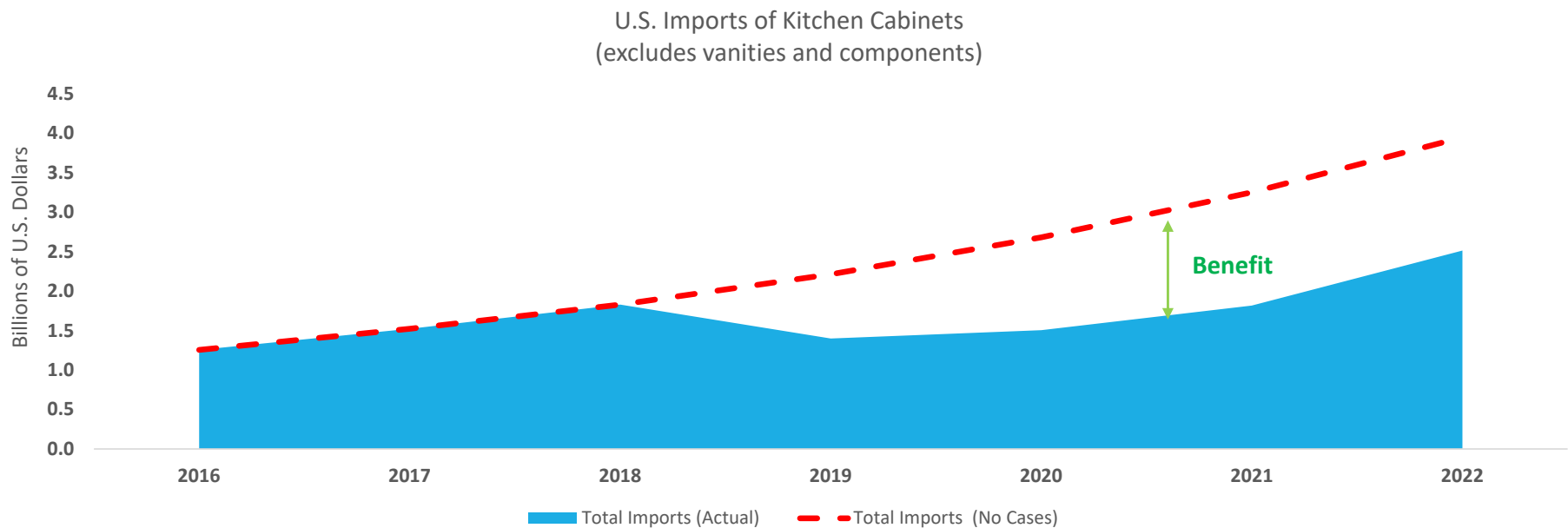
Note: Data exclude imports of wooden vanities and components.

Impact of Trade Cases



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Impact of Trade Cases: \$4.9 Billion of Benefit from 2019-2022*



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AD/CVD Orders Sparked Investment in the Domestic Industry

The imposition of AD/CVD duties set the stage for massive investments in new production capacity and upgrades to existing production facilities for cabinets in the United States.



The Battle Continues

The Chinese producers continue to attack the U.S. market through the following maneuvers:

1. Appeals in the court system;
2. Administrative reviews of the AD/CVD rates
3. Requests for scope rulings
4. Evasion tactics such as transshipment
5. Circumvention through finishing operations in third countries



Top Suppliers of Kitchen Cabinets

U.S. Consumption Imports of Kitchen Cabinets for Permanent Installation (Excludes Vanities and Parts)

Sum of Value (US\$)	Source: Census through April						YTD 2022 - YTD
	2019	2020	2021	2022	YTD 2022	YTD 2023	2023 % Change
HTSUS codes: 9403.40.9060 (Kitchen Cabinets for Permanent Installation)							
Total:	1,398,863,212	1,503,241,082	1,830,702,053	2,511,499,269	803,686,017	665,445,341	-17.20%
Vietnam	50,452,344	384,173,491	507,160,934	880,750,773	243,315,381	210,163,875	-13.62%
Canada	309,491,783	270,948,088	305,471,236	382,025,523	120,331,000	139,005,804	15.52%
Mexico	37,311,728	82,537,337	191,895,676	290,953,569	93,657,614	76,546,012	-18.27%
Malaysia	49,619,892	329,909,610	309,148,562	325,091,334	130,274,407	65,264,622	-49.90%
Thailand	979,262	30,036,063	100,119,731	158,527,642	50,616,953	52,415,815	3.55%
Italy	98,493,642	76,222,758	74,474,210	98,350,147	30,072,156	23,771,848	-20.95%
Indonesia	8,325,034	83,142,463	101,844,746	80,556,186	34,185,616	18,706,908	-45.28%
Cambodia	1,972,230	21,210,916	19,753,886	47,830,829	9,845,026	15,745,969	59.94%
Taiwan	11,862,851	34,218,576	28,487,325	47,638,516	13,510,237	15,096,488	11.74%
Germany	39,023,542	32,722,245	37,751,755	41,701,336	13,336,358	14,067,604	5.48%
France	735,803	415,444	40,977	5,904,281	455,154	5,093,955	1019.17%
China	756,609,930	94,520,665	77,923,501	65,817,748	34,160,278	4,815,579	-85.90%

Court Appeals

Court Appeals

- ***Dalian Meisen (CIT No. 10-109)***. Challenged the application of total adverse facts available to calculate its dumping margin.
- ***The Ancientree (CIT No. 10-114)***. Challenged the manner in which DOC calculated the dumping margins in the antidumping investigation.
- ***Dalian Meisen (CIT No. 10-110)***. Challenges the manner in which DOC calculated the subsidy rates for in the countervailing duty investigation.



Court Appeals Status

- **Original Investigations:** We are still on track for victory in all three cases challenging Commerce's final affirmative determinations.
- **NEW CASE: Dalian Hualing v. US:** Dalian Hualing is challenging Commerce's assignment of a China-wide rate of 251.64% in the first antidumping administrative review.

Administrative Reviews

Administrative Reviews

- When requested, Commerce must review and recalculate the AD/CVD rates of a foreign producer once every year.
- The new AD/CVD rates are based on new sales and cost information for imports that took place during the annual review period.



Administrative Reviews

- The newly calculated AD/CVD rates apply both:
 - **Retrospectively** to **past** imports made over the annual review period; and
 - **Prospectively** as cash deposit rates for **future** imports.



Subsidies Reviews

- **First Review** – On August 19, 2022, Commerce issued final results of 2019-2020 review covering four Chinese companies. Rates remained largely unchanged.
- **Second Review** – On May 1, 2023, Commerce issued the preliminary results of the 2021 review covering 10 Chinese companies. The new CVD rates ranged from 7.47% to 14.60%
- **Third Review** – On June 12, 2023, Commerce initiated the third review for 43 companies.

Dumping Reviews

- **First Review** – On November 2, 2022, Commerce issued final results of 2019-2021 review, resulting in **high rates** for four Chinese companies but **zero rates** for 16 companies.
- **Second Review** – On May 1, 2023, Commerce issued the preliminary results of the 2021-2022 review. The AD rates ranged from **7.71% to 43.00%**.
- **Third Review** – On June 12, 2023, Commerce initiated the third review for **69 companies**.

Scope Rulings

Need to Fight Scope Ruling Requests

- The “scope” of the AD/CVD orders defines which wooden cabinets, vanities, and components thereof are subject to the AD/CVD duties.
- Chinese producers and U.S. importers are constantly looking for ambiguity or loopholes in the scope of the orders that they can exploit to resume shipping Chinese cabinets to the United States.
- It is critical to fight these efforts by participating in scope inquiries initiated by the Commerce Department to resolve these questions with the scope.

Scope Rulings

Requestor	Description	Status
Homewerks	Homewerks requests clarification from Commerce that medicine cabinets with moveable shelves that are seven inches or less in depth and are not installed at the time of entry are not covered by the scope of the Orders.	DOC rules that cabinets are outside of the scope of the Orders
Rev-A-Shelf	Rev-A-Shelf requested that Commerce rule that certain cabinet drawers are not covered by the Orders because they are aftermarket accessories.	Withdrawn after three (3) attempts
Yarland Trading Co	Requests scope ruling regarding built-in hotel mini-bars	Rejected by Commerce
RST Brands LLC	Requests scope ruling on flow wall cabinets	Rejected by Commerce
Disney	Disney filed a request for a scope ruling that its “ beverage centers ” are outside the scope of the orders on Wooden Cabinets and Vanities and Components Thereof from China. According to Disney, its beverage centers are designed to hold drinks and snacks to serve the needs of Disney’s guests in their hotel rooms	Commerce rules that beverage centers are outside the scope of the orders.
AYC	AYC filed a request for a scope ruling that its styling stations and shampoo cabinets are outside the scope of the orders because they are not for “permanent installation.”	Commerce finds styling stations are outside scope and shampoo cabinets are in scope.

Scope Rulings: Phragmite Cabinets



- On February 23, 2023, Nanjing Kaylang Co., Ltd. (“Kaylang”) a Chinese producer of Cabinets and Vanities made from phragmites, submitted a scope ruling request seeking to confirm that Cabinets and Vanities made from Phragmites are not subject to the Antidumping and Countervailing Duty orders on Wooden Cabinets and Vanities from the People’s Republic of China.
- On March 28, 2023, Commerce accepted Kaylang’s request and initiated a formal scope inquiry.
- On April 27, 2023, we filed a response in opposition to Kaylang’s request.

How Are Phragmites Used to Make Cabinets?

- Dried pieces of phragmites are mixed with glue and compressed to form a board like MDF.
- The board is then coated with melamine to form the pieces used to make the cabinets and vanities.



Are They Covered by the Scope?

- **Kaylang:**
 - The scope of the orders only covers “wooden” cabinets and vanities and components.
 - Cabinets made from phragmites are not wooden and thus are not covered.
- **KCMA Position:**
 - The scope covers cabinets and vanities that are made from engineered woods like particle board and MDF.
 - Boards made from phragmites would be classified as particleboard or MDF.
 - Cabinets made from phragmite boards are “wooden” as defined by the scope and therefore are covered by the scope of the orders.

Anti-Evasion Efforts

Evasion Tactics

COMMON METHODS OF CUSTOMS FRAUD

Transshipment

Routing a shipment through a third country to disguise its origin



Undervaluation

Falsifying a shipment's declared value



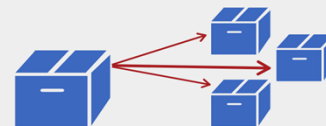
Misclassification

Falsely describing merchandise

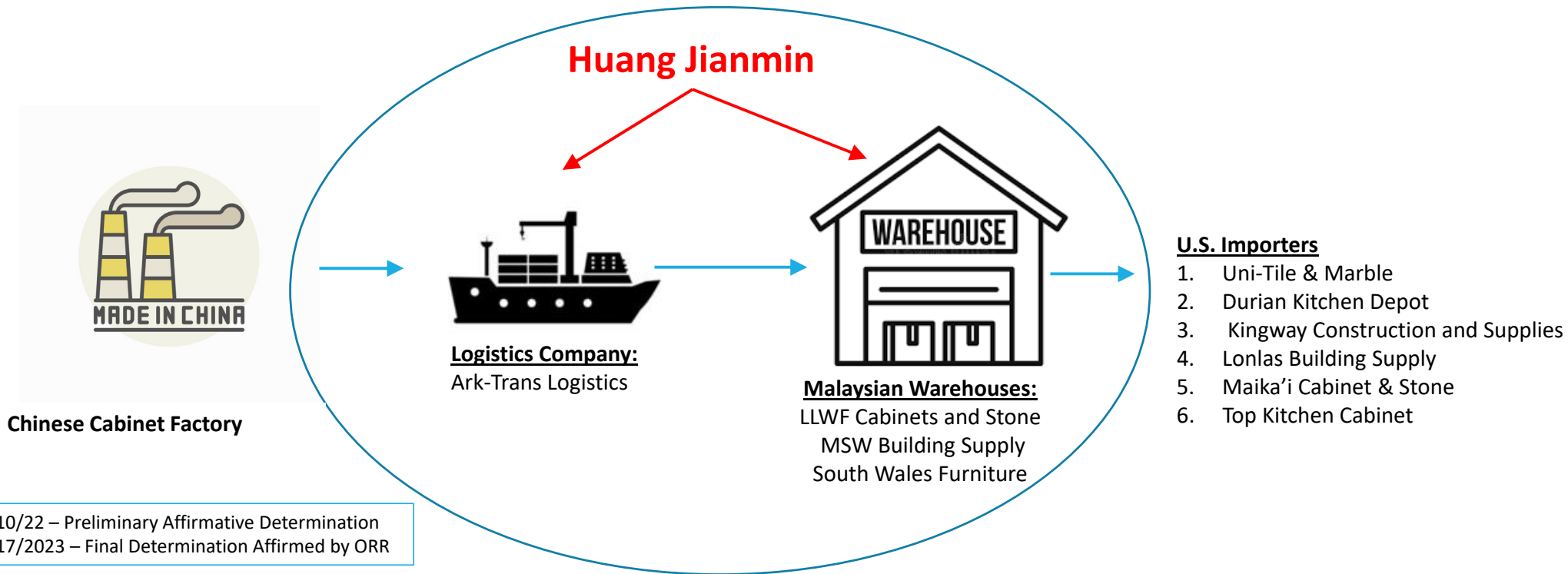


Structuring

Splitting a shipment into multiple shipments



EAPA Investigations 7673, 7693, 7694, 7695, 7676, 7697

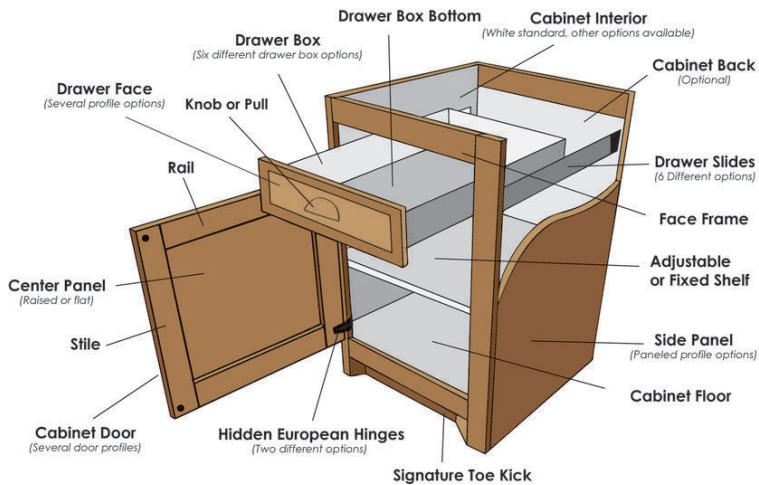


Country-Wide Scope / Circumvention Inquiries

Background

- On April 22, 2022, the AKCA filed requests that Commerce initiate scope inquiries and circumvention inquiries and determine that certain imports of wooden cabinets and vanities and components thereof (“WCV”) from Malaysia and Vietnam are covered by the AD/CVD orders on WCV from China.
- The requests target imports of WCV comprised of a mix of finished and unfinished components and parts that originate from China and components that originate from Malaysia or Vietnam.

Scenarios Covered



China	Malaysia / Vietnam
Doors Drawer Faces Frames	Cabinet Box Drawer Box

Scenarios Covered:

What's Coming from China?

- **Combining**: A Malaysian company imports **finished Chinese components**, combines them with Malaysian components, and then ships the final product to the United States.
- **Finishing**: A Malaysian company imports **semifinished Chinese components**, performs further processing of these components in Malaysia, combines the finished Chinese components with Malaysian components, and then ships the final product to the United States.
- **Parts**: A Malaysian company imports **Chinese parts of components (e.g., rails, stiles, panels)**, assembles the parts into components, combines the finished components with Malaysian components, and then ships the final product to the United States.

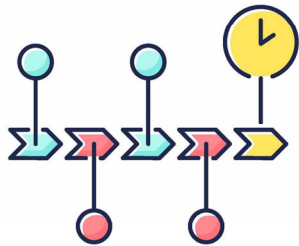
Preliminary Results of Scope Inquiry

- On March 17, 2023, Commerce issued the preliminary results of the scope inquiries.
 - The scope **covers** finished wooden doors, drawer faces, and frames produced in China that have been combined in Malaysia or Vietnam with wooden cabinet boxes and drawer boxes started and finished in those countries.
 - There was **insufficient information** to determine whether the scope covers semifinished components and parts of components produced in China and combined with cabinet boxes and drawer boxes in Malaysia or Vietnam.
 - The scope does **not cover** finished wooden toe kicks produced in China are combined in Malaysia or Vietnam with all other components necessary to build a complete wooden cabinet which were started and finished in Malaysia or Vietnam.

Four Scenarios

- **Scenario 1:** finished doors, drawer faces, and frames produced in China are combined in Malaysia/Vietnam with cabinet boxes and drawer boxes started and finished in Malaysia/Vietnam.
- **Scenario 2:** semifinished doors, drawer faces, and frames produced in China are further processed in Malaysia/Vietnam and then combined with cabinet boxes and drawer boxes produced in Malaysia/Vietnam.
- **Scenario 3:** semifinished parts of cabinet and vanity doors, drawer faces, and frames (all the rails, stiles, and panels) are produced in China and are further processed in Malaysia/Vietnam and then combined with wooden cabinet boxes and drawer boxes produced in Malaysia/Vietnam.
- **Scenario 4:** finished wooden toe kicks produced in China are combined in Malaysia/Vietnam with all other components necessary to build a complete wooden cabinet which were started and finished in Malaysia/Vietnam.

Timeline



- *May 24, 2022* – Initiation of scope inquiries.
- *June 10, 2022* – Initiation of circumvention inquiries.
- *March 17, 2023* – Preliminary scope rulings.
- *April 13, 2023* – Additional Info for Semifinished Products
- *May 15 – May 22, 2023* – Briefing on Preliminary Scope
- *August 17, 2023* – Final Scope rulings.
- *August 31, 2023* – Preliminary circumvention rulings.
- *November 28, 2023* – Final circumvention rulings.

Key Takeaways

- The KCMA is committed to ensuring that U.S. cabinet manufacturers can compete for business on a level playing field against unfairly traded imports from China.
- The AD/CVD orders have kept over \$4.9 billion of unfairly traded imports out of the U.S. market, saving thousands of American jobs and countless communities, and encouraging new investment in our country.
- Chinese producers continue to attack the U.S. market with numerous legal maneuvers and tactics.
- The KCMA must keep up the efforts to ensure strict compliance with the AD/CVD orders and strong relief for domestic manufacturers and American workers.

