

## Trade Case Update ~ March 2, 2010

Appleton Coated LLC, NewPage Corporation, Sappi Fine Paper North America and the United Steelworkers Union filed trade cases on September 23, 2009 seeking to end dumping and subsidy practices, involving certain coated paper produced in China and Indonesia, which have devastated production and employment in the United States.

### **Background**

- The cases deal with subsidy and dumping practices of these countries.
- The cases identify broad subsidy benefits that producers in each country enjoy and which should be addressed by the U.S. government.
- Dumping occurs when a foreign producer sells into the U.S. market for less than the price that producer charges in its home market or when its U.S. prices are below the cost to produce the product. The dumping margins identified in the case run as high as 135.8 percent.

### **U.S. Department of Commerce Preliminary Finding of Improper Subsidies**

- The Department of Commerce found that Chinese and Indonesian coated paper producers had received improper subsidies and issued countervailing duty determinations ranging from 3.92 to 17.48 percent. As a result of these determinations, the Department of Commerce will impose tariffs on imports of coated paper to offset the unfair advantage provided by subsidization. This triggers the immediate requirement that importers of the paper from the two countries will have to post bond or cash deposits in an amount equal to the announced margins.

### **Support of the Trade Cases:**

- Senators, Representatives and other public officials from all across the country have contacted the International Trade Commission and the Department of Commerce in strong support of the case. These officials have seen firsthand the devastating impact of the Chinese and Indonesian dumping and subsidy practices, on production and employment in their communities and states. They are regularly hearing from people in their communities about the need to respond to foreign unfair trade practices.
- On February 25, fifteen Senators – Democrats and Republicans -- joined together in a letter to Commerce Secretary Locke asking that his Department act to counter China's currency manipulation which operates as a subsidy to its exporters.

### **Specific Decision by the Department of Commerce:**

The Department of Commerce's decision supports the allegations in the petitions that imports from these two countries are being subsidized. Specifically, in the China investigation the Department of Commerce found that Chinese producers benefitted from preferential lending, preferential income tax programs, tax credits for purchasing domestically-produced equipment, import duty and VAT exemptions for imported capital equipment, research and development tax credits, and preferential provision of electricity. In the Indonesia investigation, the Department of Commerce found that the provision of timber for less than adequate remuneration, government debt forgiveness, and the government of Indonesia's ban on the export of logs, provided countervailable subsidies to coated paper producers in Indonesia.

In addition, with respect to the China investigation, the Department of Commerce noted that it is reviewing the Petitioners' allegation that undervaluation of China's currency provides a subsidy, as well as other new subsidy allegations, which could make a difference in the rates assessed in the final determination.

**Next Steps:**

- A number of steps will occur as the case proceeds. Each of these steps is vital to ensuring that the unfair trade practices are addressed.
- On April 28th, the Department of Commerce will issue its preliminary determinations in the antidumping duty investigations.
- On an ongoing basis, the government will conduct a further examination, including site visits, to obtain additional facts to guide them in making their final antidumping and countervailing duty determinations.
- In the Fall, the International Trade Commission will conduct a public hearing to hear the arguments of each side as it prepares its final decision as to whether the domestic industry is injured or threatened with injury by reason of imports of Chinese and Indonesian coated paper.