UNITED STATES TRADE REPRESENTATIVE

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SECTION 301 INVESTIGATION ON VIETNAM'S ACTS, POLICIES, AND PRACTICES RELATED TO THE IMPORT AND USE OF TIMBER THAT IS ILLEGALLY HARVESTED OR TRADED

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PUBLIC HEARING

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MONDAY DECEMBER 28, 2020

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The hearing was convened via videoteleconference, at 9:30 a.m., David Lyons and Kimberly Reynolds, Committee Chairs, presiding.

HEARING COMMITTEE DAVID LYONS, Office of the U.S. Trade Representative KIMBERLY REYNOLDS, Office of the U.S. Trade Representative SARAH BONNER, U.S. Small Business Administration GRACE KENNEALLY, Import Trade Administration, U.S. Department of Commerce MATTHEW SULLIVAN, U.S. Department of the Treasury ANDREW STEPHENS, U.S. Department of Agriculture STEPHANIE SWINEHART, U.S. Department of Agriculture LUKE THOMPSON, U.S. Department of State CARTER WILBUR, U.S. Department of State ALBERT YAM, U.S. Department of the Treasury

## WITNESSES:

## PANEL ONE:

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NGUYEN QUOC KHANH, Handicraft and Wood Industry
      Association of HCMC
LE XUAN QUAN, Handicraft and Wood Industry
      Association of Dong Nai
TRAN LE HUY, Forest Products Association of Binh
      Dinh
NGO SY HOAI, Vietnam Timber and Forest Product
      Association
JOHN LUU, Binh Duong Furniture Association
PANEL TWO:
THAO DO, Tien Dat Furniture Corporation
LE CONG THANH, Dai Thanh Furniture JSC
HUYNH UYEN, Hiep Long Fine Furniture Company
PHUONG NGUYEN, Minh Thanh and Van Thinh Phat
      Furniture
PANEL THREE:
GAT CAPERTON, Caperton Furnitureworks
MARK SCHUMACHER, North American Home Furnishings
      Association
CINDY SQUIRES, International Wood Products
      Association
RACHEL STEWART, Gardner-White Furniture
ANDREW COUNTS, American Home Furnishings
      Association
SHANNON LIANG, Skyline Cabinetry, Inc.
PANEL FOUR:
MARY TARNOWKA, American Chamber of Commerce
DAVID FRENCH, National Retail Federation
BLAKE HARDEN, Retail Industry Leaders
      Association
BETH HUGHES, American Apparel and Footwear
      Association
NATE HERMAN, Travel Goods Association
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## C-O-N-T-E-N-T-S

PANEL 1:
Nguyen Quoc Khanh, Handicraft and Wood Industry
Association of HCMC
John Luu, Binh Duong Furniture Association15 Le Xuan Quan, Handicraft and Wood Industry
Association of Dong Nai
Ngo Sy Hoai, Vietnam Timer & Forest Products
Association
Tran Le Huy, Forest Products Association of
Binh Dinh
PANEL 2:
Le Cong Thanh, Dai Thanh Furniture J.S.C46
Thao Do, Tien Dat Furniture Corporation
Huynh Thi, Phuong Uyen, Hiep Long Fine
Furniture Company
Phuong Nguyen, Minh Thanh and Van Thinh
Phat Furniture
PANEL 3:
Gat Caperton, Caperton Furnitureworks
Mark Schumacher, North American Home Furnishings
Association
Cindy Squires, International Wood Products
Association
Rachel Stewart, Gardner-White
Andrew Counts, American Home Furnishings Alliance
Shannon Liang, Skyline Cabinetry, Inc
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Mary Tarnowka, American Chamber of Commerce
in Vietnam
David French, National Retail Federation 131
Blake Harden, Retail Industry Leaders Association
Beth Hughes, American Apparel & Footwear
Association
Nate Herman, Travel Goods Association 150

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1	P-R-O-C-E-E-D-I-N-G-S
2	9:34 a.m.
3	CHAIR LYONS: Good morning and welcome.
4	The Office of the U.S. Trade Representative, with
5	the Interagency Section 301 Committee, is holding
6	this public hearing in connection with a Section
7	301 investigation of Vietnam's acts, policies,
8	and practices related to the import and use of
9	timber that is illegally harvested or traded.
10	The U.S. Trade Representative
11	initiated this investigation on October 2nd,
12	2020. The scope of the investigation and an
13	invitation for public comments are set out in the
14	Notice of Initiation published at 85 FR 63639. A
15	notice concerning this public hearing and post-
16	hearing rebuttal comments is published at 85 FR
17	75398.
18	In this public hearing USTR and the
19	Section 301 Committee will hear witnesses testify
20	as to whether the acts, policies, and practices
21	of the Government of Vietnam are actionable, and,
22	if so, what action, if any, would be appropriate.

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1	USTR will offer further opportunity for public
2	comment in the event actions affecting specific
3	products or services are concerned in the
4	investigation.
5	The Section 301 Committee will
6	carefully consider the testimony provided at the
7	public hearing. The Committee will also review
8	the written comments received in response to the
9	Notice of Initiation, as well as post-hearing
10	comments, which are due by Wednesday, January
11	6th, 2021. The Section 301 Committee will then
12	make a recommendation to the Trade
13	Representative.
14	Before we begin the hearing I'll
15	provide some procedural and administrative
16	instructions and introduce agency representatives
17	who will participate in the hearing today.
18	Today's hearing is organized into four
19	panels of witnesses across which 21 individuals
20	are scheduled to testify. The provisional list
21	of witnesses has been posted to USTR's website.
22	The hearing is scheduled for one day. All four

panels of witnesses are scheduled to testify 1 2 today. Each witness appearing at the hearing is limited to five minutes of oral testimony. 3 After 4 the testimony from the panel of witnesses the 5 Section 301 Committee will have an opportunity to ask questions. 6 7 Between panels there will be a short 8 break while we assemble the next panel. We will 9 then announce any changes to the composition of 10 the government panel and proceed with the 11 testimony. 12 Post-hearing comments, including any 13 written responses to questions from the Section 14 301 Committee, are due by January 6th, 2020. The rules and procedures for written 15 2021.

16 submissions are set out in the November 25th17 Federal Register Notice.

18 Given the number of witnesses in the 19 schedule we request that witnesses when 20 responding to questions be as concise as 21 possible. We would likewise ask witnesses to be 22 understanding if and when the Chair asks that a

witness conclude a response. In this regard, 1 2 witnesses shall recall that they have a full opportunity to provide more extensive responses 3 4 in their post-hearing submissions. 5 A written transcript of this hearing will be posted to the USTR website and on the 6 Federal Register docket as soon as possible after 7 8 the conclusion of this hearing. 9 For those providing testimony today we have previously gone over the instructions for 10 participation, however, we will repeat a few key 11 12 points. When your panel is called, please be sure to accept the invitation to interact live. 13 14 Only once you've accepted that invitation will you be able to join your panel and to present 15 16 audio and video. When it is not your turn to 17 speak please be sure to leave your video and 18 microphone muted. If you would like to respond 19 to a question posed to another witness on the 20 panel, please un-mute your video. 21 If you're having technical difficulty and need help, please let us know in the chat box 22

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on the BlueJeans platform. When you're speaking you're responsible for keeping time; however, we will provide a visual warning when one minute remains and when your time has expired.

We're pleased to have international 5 trade and economic experts from a range of U.S. 6 7 Government agencies. For the first panel, the agency representatives are: myself, David Lyons 8 9 from the U.S. Trade Representative; Kimberly Reynolds, also from the U.S. Trade 10 11 Representative; Luke Thompson from the State 12 Department; Grace Kenneally, the Department of Commerce, Matthew Sullivan from the Treasury 13 14 Department; Andrew Stephens from USDA, and Sarah 15 Bonner from the Small Business Administration. 16 We will now proceed with testimony 17 from our first panel. And before proceeding 18 we'll make sure that we have virtually assembled everyone on our panel, so we'll just need a 19 20 moment to do that. 21 (Pause.) 22 PARTICIPANT: Good morning.

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1	CHAIR LYONS: Good morning. Just a
2	reminder to our panelists to leave your
3	microphones and video muted, if you would, while
4	we wait to assemble the first panel and then
5	we'll let you know when it's your turn to provide
6	testimony. Thank you.
7	(Pause.)
8	CHAIR LYONS: Okay. We'll resume with
9	our first panel in a moment. As a reminder, if
10	you have an outstanding request to interact live
11	and you're on our first panel, please go ahead
12	and accept that so we can elevate you to
13	presenter.
14	(Pause.)
15	CHAIR LYONS: Okay. Thank you
16	everyone for your patience. We'll just wait
17	another minute or so for the rest of our first
18	panel to join. So, again, if we've sent you an
19	invitation to interact live in the attendees
20	column, please go ahead and accept that. Once
21	you've done so we'll continue.
22	(Pause.)

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1	CHAIR LYONS: Okay. We're having a
2	technical issue calling a couple presenters from
3	our first panel. I think what we'll do is have
4	those who've been able to join go ahead with
5	their testimony and the Section 301 Committee
6	will ask them questions, if any. And those who
7	we have not been able to call yet, we'll
8	hopefully fix this problem, and then we'll just
9	add you to the second panel.
10	So, with that, we'll now proceed with
11	testimony from our first panel. Mr. Nguyen, our
12	first panelist, you may proceed with your
13	testimony.
14	MR. KHANH: Hello? Hi. Good morning.
15	Thank you to the Chair and the Section 301
16	Committee members. As chairman of HAWA I welcome
17	the opportunity to share the views of the
18	Handicraft and Wood Industry Association of Ho
19	Chi Minh City, HAWA. HAWA is one of the largest
20	furniture associations in Vietnam, representing
21	550 members. Vietnam and the Vietnamese
22	furniture industry have made substantial progress

in ensuring the use of lawful timber in all of 1 2 its furniture. Given this progress, we submit that there is currently no persistent pattern of 3 conduct by which Vietnam fails to ethically 4 enforce its international environmental agreement 5 in this arena. Furthermore, we see no burden on 6 U.S. commerce that could justify Section 301 7 8 sanction.

9 First, we believe that Vietnam's policies do not constitute a persistent pattern 10 of violations of its written commitments. 11 Under 12 CITES, the Convention of International Trade in 13 Endangered Species, Vietnam undertook to manage 14 and protect CITES-covered species, as well as administer a licensing system with obligations 15 16 that the Vietnamese industry has strived to 17 perform. Vietnam has worked diligently to 18 upgrade its regulatory and enforcement framework 19 to comply with CITES and to prevent illegal 20 logging. 21 While our written submissions provide

21 while our written submissions provide
 22 more details, key milestones include:

ratification of EU-Vietnam Voluntary Partnership
 Agreement, decrees on the management of
 endangered species and rare species of forest
 fauna and flora, adoption of international
 environmental standards into national
 legislation.

7 The government and furniture industry 8 have worked with the U.S. and key stakeholders to 9 establish the Vietnam Timber Legality Assurance 10 System, VNTLAS. In addition, the industry, 11 including HAWA, participate in the Forest Legality Alliance, whose goal is to combat 12 13 illegal logging by supporting the supply of legal 14 forest products. Vietnam is a top participant in the Forest Stewardship Council chain of custody 15 16 certification program, with 926 certificate 17 holders.

Some adverse commentators refer to our statistics on illegal wood imports from Laos and Cambodia while neglecting to mention Vietnam's substantial progress in legislation and enforcement programs. In fact, Vietnam's

regulatory measures coincide with decreasing 1 2 timber imports from Cambodia and Laos. (Indiscernible) presented by the Environmental 3 4 Investigation Agency, EIA, which itself has 5 acknowledged our improvements. Since 2015 Vietnam's imports of 6 7 Cambodia timber have dropped from 286 million USD 8 to below 32 million USD, a 92 percent decline, 9 and their timber trade today is legal plantation It successfully demonstrates Vietnam's 10 timber. 11 commitment to use regulatory system to safeguard 12 a legal and sustainable timber supply chain. Please see our chart for details of this clear 13

14 trend.

Second, there has there has been no 15 16 burden or restriction on U.S. commerce. No 17 evidence has been provide to demonstrate any use 18 of illegal timber in the Vietnamese furniture 19 export industry. We believe that all timbers 20 used for U.S. market are legal. This is partly 21 due to the fact that so much of our goods come from the U.S. Vietnam is the second largest 22

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buyer of U.S. hardwood timber exports in the world.

3	More than that, the Vietnam furniture
4	industry is mostly made up of OEM manufacturers.
5	This is an integral part of U.S. furniture supply
6	chain, but the U.S. derives a substantial share
7	of the benefits in the supply chain by providing
8	value-added such as U.S. designs, coding, parts,
9	marketing, and international distributions.
10	Utilizing Section 301 to penalize
11	Vietnam furniture exports to U.S. would have
12	detrimental effects on U.S. commerce because U.S.
13	brands and their customers to rely upon
14	Vietnamese contribution with that value chain.
15	Therefore, we submit that there is no basis for
16	action under Section 301. Accordingly, the Trade
17	Representative is encouraged to make a negative
18	determination with regard to this investigation
19	after taking appropriate time and consideration
20	similar to the previous USTR investigations.
21	Similarly, we encourage the USTR to
22	raise any CITES compliance concerns in the

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1	context of the multilateral CITES conventions
2	rather than as a unilateral U.S. trade action.
3	Thank you very much for this
4	opportunity to speak today. I welcome any
5	questions.
6	CHAIR LYONS: Thank you for that
7	testimony. We'll now turn to our next panelist.
8	It appears that we're still missing a couple
9	members of this panel, but we'll proceed to the
10	next person we have present at this point. So
11	we'll now proceed to Mr. John Luu of Binh Duong
12	Furniture.
13	So, Mr. Luu, please proceed with your
14	testimony.
15	MR. LUU: Yes. Good morning. My name
16	hello? Can you hear me?
17	CHAIR LYONS: Yes, we can hear you.
18	MR. LUU: Good morning. My name is
19	John Luu, vice chairman of Binh Duong Furniture
20	Association. We are very grateful to have a
21	chance to share our view on the uses of illegal
22	timber in the production of wooden products for

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export from Vietnam.

2	Firstly, in the past 10 years since
3	the U.S. Lacey Act came into being, furniture
4	exporters have never been accuse of violating the
5	act. Furniture manufacturers in Binh Duong fully
6	comply with the provisions of the Lacey Act from
7	USA, Europe import and export law, and forestry
8	law of Vietnam.
9	Secondly, the major consumer market
10	for wood products in Binh Duong Province is the
11	United States market, accounting for 53 percent,
12	equivalent to 1.4 billion in 2019. The main wood
13	use for the U.S. market are domestically planted
14	forest timber like acacia, rubber, garden planted
15	root like mango, jackfruit. Imported wood from
16	U.S. like white oak, poplar, walnut, pine, ash,
17	cherry. (Indiscernible) shows in the U.S. market
18	are legal or imported from positive geography
19	areas as United States, Europe, New Zealand,
20	Chile.
21	Clearly, we admit there are still some
22	importer of tropical wood from high-risk area

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like from Laos or from Cambodia, from Cameroon,
 from Congo, to Vietnam in the past five years.
 This timber are mainly served for the domestic
 consumption where a demand of hardwood are
 required for the traditionally construction of
 house like making door, window, beam, et cetera.
 As you know, Vietnam is a tropical

8 country located very close to the seashore where 9 frequent storm and floods appear every years. Therefore, the Vietnamese people have a tradition 10 11 of using tropical wood for their house and 12 interior decoration because they are very often 13 being destroy by the storm. This is a 14 longstanding consumption habit of the Vietnamese 15 people; therefore, we need time to educate people 16 to change their habit into using the controlled 17 timber.

Lastly but not least, the Government of Vietnam has a strong commitment to protect natural forests in Vietnam and the countries that supply raw timber to Vietnam. The commitments are reflected in aspects such as Vietnam is a

member of CITES and ITTO conventions. 1 The 2 Government has issued Decree 102/ND-CP regulating Vietnam Timber Legality System, VNTLAS, to 3 4 localize the VPA/FLEGT agreement. Therefore, the 5 source of wood imported into Vietnam is being closely inspected and supervise by law 6 enforcement agencies to ensure the legality of 7 each shipment. 8

9 The loss of the buyer when Vietnam could be applied with a trade barrier from the 10 11 United States. All American buyers who come to 12 Binh Duong to buy furniture have never asked to 13 put the product made from tropical forest goods 14 or good from high-risk geographic area. Therefore, products consumed in the United States 15 16 by our factory are made from legal goods. If 17 Vietnamese goods and furniture is subjected to 18 taxes in the U.S., current buyers will surely be 19 affected heavily, like Walmart, like Costco, like 20 Amazon, like MasterBrand, like Target brand, et 21 cetera.

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Furthermore, Vietnam is currently the

second largest customer in Asia imported U.S. 1 2 sourced timber. We are using U.S. goods for consumption in the U.S. market; therefore, the 3 trade remedies also affect the U.S. goods import 4 5 turnover into the Vietnamese market. From 2015 until October of 2020 we already import more than 6 7 1.2 billion U.S. dollar from U.S. (inaudible) 8 between the U.S. and Vietnam. 9 Thank you for your listening. We 10 welcome your question. 11 CHAIR LYONS: Thank you, Mr. Luu, for 12 your testimony. 13 We will now turn to our next panelist, 14 Le Xuan Ouan from the Handicraft and Wood Association of Dong Nai. 15 16 MR. QUAN: Good morning. Handicraft 17 Wood Industry Association of Dong Nai was founded 18 in 1999 as a non-government organization and 19 volunteer association. Currently, we have 80 members working in the following fields: wood 20 21 processing, indoor and outdoor furnitures, 22 handicraft, bamboo, rattan, (indiscernible),

1	porcelain, and local (indiscernible) trade in
2	materials, timber, machinery, hardware supply.
3	Our members are producing indoor and
4	outdoor furniture to export to United States that
5	are using lumber from America: yellow poplar,
6	oak, maple, cherry, walnut, yellow pine with
7	(indiscernible) import to Vietnam, from New
8	Zealand, Australia, South America (indiscernible)
9	Thai lumber. From Vietnam plantation forest:
10	rubberwood and acacia. From Europe: oak, birch.
11	On behalf of Dong Nai Wood Handicraft
12	Association, we would like to (audio
13	interference) rubberwood and acacia for
14	(indiscernible). Many members don't use illegal
15	wood to produce wood product to ship to United
16	States because our members are OEM factories with
17	products that are designed from American importer
18	and retailers. They will choose material from
19	their products.
20	The cost of illegal wood
21	(indiscernible) that they make products is very
22	expensive that cannot serve in the American

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1	market. Illegal wood is unstable supply, cause
2	burdensome delays, and do not ensure products
3	(indiscernible).
4	Thanks for your listening and hearing
5	our testimony.
6	CHAIR LYONS: Thank you for that
7	testimony.
8	We'll now turn to our next panelist,
9	Mr. Ngo Sy Hoai from the Vietnam Timber and
10	Forest Products Association.
11	MR. HOAI: Okay. Thank you. I'm Ngo
12	Sy Hoai, vice president and secretary general of
13	Vietnam Timber and Forest Product Association; in
14	short, VFOREST. The mission of my association is
15	to converse and represent interests of the
16	community of Vietnam timber processing and
17	trading enterprises.
18	My testimony covers five issues.
19	First, the evidence provided by USTR is unclear
20	and confusing and to does not reflect efforts of
21	Vietnam to assure timber legality. The
22	information used by USTR has not been updated to

reflect recent developments in Vietnam to shift 1 2 to the use of locally grown timber and timber imported from non-risk sources, including U.S. 3 Long before the initiation of 4 5 investigation, Vietnam has had strong commitment to protect the natural forests, not only of 6 7 Vietnam, but also of the countries which supply 8 timber to Vietnam. 9 Vietnam is a serious member of both CITES and ITTO. The Government of Vietnam is 10 11 also proactive in promoting demands to ASEAN 12 countries in transnational forest governance and 13 sustainable forest management. From 2010, 14 Vietnam started negotiations with EU on VPA/FLEGT to curb illegal logging and associated trade. 15 16 The VPA was signed in 2018. Further, the Government of Vietnam issued Decree 102 to 17 18 operate VNTLAS. Accordingly, from now on, timber 19 imported into Vietnam is controlled and verified 20 against very strict criteria. 21 Second, the Vietnamese private sector strongly supports responsible timber industry 22

development. My association was a proactive 1 2 member of the VPA/FLEGT negotiation. **VFOREST** has also requested the government to issue and 3 implement public procurement policies which 4 prefers sustainable timber products as effective 5 remedies to control (indiscernible) investment 6 and vertically trade fraud and circumvention. 7 The Vietnamese timber community is 8 9 aware that combating illegal logging and associated trade is not just the responsibility 10 Therefore, in 2017, VIFOREST 11 of the government. 12 and local associations signed the declaration to 13 say no to illegal timber. VIFOREST and local 14 association have also signed a commitment to promote responsible wood industry. We have also 15 16 established the Green Vietnam Fund to provide 17 contribution to sustainable forest management and 18 responsible timber development. A number of 19 Vietnam timber businesses are actively 20 cooperating with farmers to produce FSC timber. 21 Over 20,000 farmers are engaged in this process. 22 Third, the Vietnam timber sector does

not burden U.S. commerce. In fact, mutually 1 2 beneficial timber trade between Vietnam and the U.S. has been steadily growing. U.S. is the most 3 4 important for Vietnam, both in import of timber 5 and export of manufactured products. Vietnam has become the second consumer of U.S. hardwood 6 7 following China. Vietnam imports about one 8 million cubic meters of U.S. timber each year. 9 VIFOREST and AHEC are maintaining effective cooperation to promote U.S. hardwood in Vietnam. 10 11 U.S. is the most important market for 12 Vietnam timber products, with the exports alone 13 about 50 percent of our total export. The timber 14 businesses on both sides are deeply aware that 15 complying with U.S. regulations becomes to be or 16 not to be for both side. Many local acacia and rubber timber is 17 18 use for manufacturing timber products, up to 60 19 Timber products made with rubber or percent. 20 acacia timber have the highest export value in 21 the U.S. market. About 40 percent of timber 22 product value exported to U.S. is made of timber

imported from countries with good forest
 governance, including U.S.

Fourth, timber consumption in Vietnam. 3 Due to Vietnam's ban on natural forest logging, 4 5 the local supply relies on plantation timber. Last year it was over 30 million cubic meters, 6 7 which are free of any legality challenge. 8 Vietnam imports about 1.5 million cubic meters of 9 tropical timber each year, which is about one million cubic meters from Africa. 10

11 This imported timber is used mostly 12 for timber villages (phonetic) to satisfy 13 domestic market. These timber villages have been 14 shipped in from imported timber, hardwood to 15 locally planted timber, and timber imported from 16 non-risk sources, including U.S. This trend will 17 steadily continue.

Fifth, testimony on specific aspect covered by USTR investigation. Timber imported from Cambodia into Vietnam. Import of timber from Cambodia into Vietnam has decreased sharply, down to 90,000 cubic meters last year, with large

volume of rubber timber. This follows a national 1 2 ban on export (indiscernible) Cambodia (indiscernible) certain export with special 3 4 Due to the high risk of this import permit. 5 VIFOREST has proposed the prime minister of Vietnam to suspend import of timber from Cambodia 6 7 until the two side can implement effective 8 countermeasures to avoid risk related to timber 9 trade with the two countries. Import of timber from Cameroon also the same situation. 10 11 In conclusion, I wish to reconfirm 12 that Vietnam does not tend to use illegal timber 13 permit more manufacturing timber products for 14 both local consumption and export. The evidence and data presented by USTR is inconclusive and 15 16 (indiscernible). The USTR notice of 301 investigation does not note recent improvement 17 18 that the Government of Vietnam and the private 19 sector have made to improve the legality of wood 20 products. 21 Thank you for listening and thank you

for your attention. Thank you.

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1	CHAIR LYONS: Thank you for your
2	testimony.
3	We'll now turn to our last member of
4	this panel, Tran Le Huy from the Forest Products
5	Association of Binh Dinh.
6	Okay. Mr. Tran Le Huy, please go
7	ahead.
8	MR. HUY: Yes, thank you. Good
9	morning to Mr. David Lyons. I intend
10	(indiscernible). I am Tran Le Huy testifying
11	today on behalf of the Forest Product Association
12	of the Binh Dinh. I would like to present our
13	testimony as follows.
14	Firstly, wood processing industry in
15	Binh Dinh Province in particular, and Vietnam
16	generally are, in close cooperation with the U.S.
17	wood product distribution and retail industry.
18	Our relationship with the U.S. partners and with
19	the U.S. wood industry mutually and fairly
20	benefit each other. Annually, we import a
21	substantial amount of raw materials from the
22	U.S., and we exclusively use timber from this

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source and from the domestic plantation.

2	The import from the U.S. has been
3	expanding. This means we are supporting the
4	forest owners and the raw wood exporters in the
5	U.S. We also share our benefits with American
6	shipping lines and logistics, and with the
7	woodworking machinery sellers on a mutually
8	constitutive basis. We have supported the
9	government in the calling for investment,
10	particularly from the U.S. We have committed to
11	fair and friendly trade relationships between the
12	two countries.
13	We agree in part wood from the U.S.
14	market over the year to product and where it
15	possible in the future into the U.S. market.
16	(Indiscernible) of imported wood material from
17	the United States in order to conduct
18	(indiscernible).
19	Our woods material are used to produce
20	the (indiscernible) wooden product from
21	(indiscernible) to the U.S. market into the
22	(indiscernible) Domestically planted forest

1	timber in Vietnam such as rubberwood, acacia,
2	plywood and (indiscernible). Imported timber
3	with FSC COC certifications at (indiscernible)
4	from Brazil, the EU, the U.S., and Panama.
5	Thirdly, on member of our association
6	commit not using the tropical timber from the
7	natural forests, especially the people in market
8	to Cambodia, Cameroon, Democratic Republic of the
9	Congo. All our members have been using legal and
10	sustainable plantation timber, have sustainably
11	managed in the U.S. and elsewhere.
12	By the way, (indiscernible) good for
13	our supporting people in communities. We fully
14	comply with the provisions of the Vietnam law on
15	forestry and VNTLAS, the Lacey Act of U.S., and
16	the international regulations and standards for
17	importing wood products to the United States, as
18	well as on the (indiscernible) to our commitment
19	to say no with illegal timber, we and our members
20	have cooperated with the FAO Vietnam, the FAO-EU
21	FLEGT program, developing the new system in the
22	(indiscernible) association for the woodworking

enterprise in Binh Dinh Province (indiscernible) 1 2 of the private sector from the 2017 to present. We have collaborated with the timber 3 association in Vietnam and (indiscernible) and 4 5 the U.S. to organize a seminar (indiscernible) of the timber (indiscernible) activity for timber 6 7 and wood products in Vietnam for many years. 8 Have cooperated with the (indiscernible) 9 government, (indiscernible) activities to buy and 10 sell legal and responsible wood product. 11 Finally, we would prefer a bilateral 12 approach with the two governments working with 13 each other in addressing the problems raised in 14 the USTR 2020-0036. We are happy to collaborate with USTR in providing any additional information 15 16 to these issues raised in the document. Tn 17 addition, we are willing to cooperate with the 18 USTR and U.S. companies selling raw material to 19 Vietnam and those importing timber products from the U.S. for mutual understanding and 20 21 collaboration between the two sides. 22 Thank you so much.

1	CHAIR LYONS: Thank you very much for
2	that testimony. I'll now open the floor to the
3	members of the U.S. Government panel for
4	questions.
5	I'll start. I have a question for
6	Nguyen Quoc Khanh of the Handicraft and Wood
7	Industry Association of HCMC. So, in your
8	written submission you indicate that HAWA
9	companies must, quote, commit to not use illegal
10	timber in their products, and the risk of illegal
11	timber entering the United States market via
12	Vietnam is very low.
13	So, to ensure that is the case, could
14	you describe what, if any, additional due
15	diligence your members must perform to ensure
16	that they're not importing, processing, or
17	exporting timber that is illegally harvested or
18	traded?
19	MR. KHANH: I think that's one of the
20	big missions of the HAWA association, to make
21	sure that all the members will use the
22	sustainable timber for local markets and export.

And to make sure that the furniture industry in 1 2 Vietnam will grow substantial timbers. Actually, the furniture industry is 3 4 one of the main exports of Vietnam. So, with the 5 government, we try to make it even strength by make sure that all the sources of timber must be 6 7 legal timber. So all the members, when we 8 attend, become a member, we sign all the 9 agreements that they never use any illegal timber. And actually we have implemented a 10 11 system we call DDS, that division system, to 12 track all the records of the timber in plantation 13 and processing. And this DDS, we work with FAO 14 Europe. Thank you for that. 15 CHAIR LYONS: 16 So, we can now continue with any other 17 questions. 18 MR. STEPHENS: Hello. I have a 19 question on behalf of USDA, United States 20 Department of Agriculture. My question is for 21 Mr. Le Xuan Quan from the Handicraft and Wood 22 Industry Association of Dong Nai.

And here's my question: since the 1 2 implementation of VNTLAS, the Timber Legality Assurance System, in October, what have of your 3 members done to implement the new requirements of 4 5 that law? And what remains to be done? We are starting that all 6 MR. QUAN: 7 now, but that is very tricky, to ensure the 8 timber that we are import at this moment. So I 9 hope that will be good for stopping the illegal wood from other countries. I think the law very 10 11 strong and very clear on what the law is. 12 Thank you very MR. STEPHENS: Okay. 13 much. 14 Thank you. MR. QUAN: 15 Hello , and thank you MR. THOMPSON: 16 for your testimony. I have a question from the 17 State Department. And this is for Mr. Le Xuan 18 Quan also, of DAWA. 19 The question is: could you please 20 describe any additional due diligence that your 21 members perform when importing timber species 22 that are considered high risk or that come from

sources that are considered high risk? 1 2 MR. QUAN: (Inaudible) that where we need to recognize the area, set area, and also we 3 4 have follow CITES, that is to Decree 102 of 5 So also we are doing the -- that is Vietnam. where we very soon -- because we are now starting 6 7 to do our Law 102 to control the (indiscernible) 8 off from the forest. 9 Okay. MR. THOMPSON: Thank you. 10 MR. QUAN: Thank you. 11 I believe we next CHAIR LYONS: Okay. 12 had a question from the Small Business Administration. 13 14 Sarah, are you able to join? 15 MS. BONNER: Yes. Thank you very 16 much. I had a question for Mr. Tran Le Huy from 17 the Forest Products Association. 18 Thank you, sir, for your testimony. 19 My question was: do your members participate in 20 any sustainable forestry certification programs 21 that are managed by accredited third-party organizations? And, if so, how does the 22

certification program confirm that the imported wood comes from sustainable sources? Thank you, sir.

Thank you. With the FPA 4 MR. HUY: 5 Binh Dinh, we haven't used the MC or BFC 6 (phonetic) timber, imported timber, from the 7 2000. Mostly, the members have the FSC COC on 8 the BBBC (phonetic). We also use the permitting 9 for the plant at the timber in Vietnam, such as acacia. Acacia we use have a FSC certificate. 10 And we also cooperate with the FAO in Vietnam and 11 12 FAO-EU FLEGT program (indiscernible).

I want to remind, in Vietnam right now 13 14 HAWA and FPA Binh Dinh have the (indiscernible) system with (indiscernible) by the FAO-EU FLEGT 15 16 program. In addition, we also cooperate with the 17 WWF (indiscernible) government in developing 18 sustainable forest. And I know we also joined 19 the Green Vietnam production in the 2020. Thank 20 you.

21 MR. THOMPSON: Thank you. I have an 22 additional question for you, sir, Mr. Tran Le

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You mentioned that the say no to legal 1 Huy. 2 timber commitments from 2017 and 2020, could you describe briefly if any additional measures or 3 4 due diligence are required under those 5 commitments? Well, we know the 6 MR. HUY: 7 (indiscernible) and the some -- Korea in the 8 world at the country of (indiscernible) Laos and 9 Cambodia. And we -- a commitment to in 2017, and (indiscernible) 2020, we review the import timber 10 11 from the some country (indiscernible). 12 You see in my document that we not 13 import timber from the Cameroon and Democratic 14 Republic of Congo. And with the Cambodia, we 15 (indiscernible) last import from the 2018 and 16 (indiscernible) in reason we (inaudible) we not 17 import timber from the Cambodia into the Binh 18 Dinh Province and to Vietnam. Yeah, you see that 19 in my document. 20 Yeah, we -- and I want to remind about 21 the commitment 2020. The commitment strong, and 22 it (indiscernible) the hybrid timber, hybrid

1	species from the hybrid area. Yeah, you know the
2	(indiscernible) controlled the timber supply
3	chain from import from the right now we have
4	the (indiscernible) Ontario, Alberta activity
5	area. And now we have about 1,000 species in
6	(indiscernible) beside (indiscernible).
7	MR. THOMPSON: Thank you for that,
8	we'll appreciate it.
9	MR. HUY: Yes.
10	MS. KENNEALLY: Hi, I have a I'm
11	from the Department of Commerce, Grace Kenneally.
12	I have a question for Mr. Ngo Sy Hoai, the
13	Vietnam Timber and Forest Products Association.
14	Sir, in your written comments, you mention
15	efforts by Vietnamese Forestry and Customs
16	Officials to coordinate with authorities in
17	Cameroon to improve control of the timber supply
18	chain. Could you please describe those efforts?
19	MR. HOAI: A pragmatic question. You
20	know, Cameroon is, it's very important supplier
21	of tropical timber for Vietnam. And every year,
22	we are importing about 700 cubic meters of the

tropical timber from Cameroon. You know, we have
 conducted a series of account mergers to improve
 the import practices.

Actually, recently we have organized
a business-to-business webinar. We facilitated
exporters from Cameroon and importers from
Vietnam to exchange their viewpoint and to get
access to the legal framework applicable in
Cameroon and in Vietnam.

And we have introduced our newly 10 11 issued Decree 102 with very special 12 (indiscernible) to empower the control of imported timber -- timber from Cameroon. 13 And we 14 are going to establish a sort of ethic of joint 15 working group represented by a certain group of 16 people from Cameroon, including company people 17 and government officials and Vietnam's own self. 18 And we will proceed with the 19 conclusion of an (indiscernible) memorandum on 20 import-export protection between the two 21 countries to ensure timber legality, the legality of timber which is entering Vietnamese markets. 22

1	And our Customs Office will also
2	consolidate control over timber imported from
3	Cameroon, including taking additional evidences
4	of legality following our newly issued Decree
5	102. Thank you.
6	Our Customs Office will consolidate
7	control over timber imported from Cameroon,
8	including taking additional evidences of legality
9	following our newly issued Decree 102. Thank
10	you. Our Customs Office
11	MR. SULLIVAN: Mr. Ngo, I have a
12	followup question. This is Matt Sullivan from
13	the US Treasury Department. Could you explain
14	where Vietnamese companies import from countries
15	with poorer track records of good governance?
16	Could you describe the due diligence performed to
17	ensure the legality of the timber supply chain?
18	Thank you.
19	MR. HOAI: VTS is very important for
20	importers, and our association have been
21	conducting a series of VTS training for selected
22	importers of timber from Cameroon and from Congo.

From now on, they will be more careful to collect
 information, assess information, and take
 mitigation measures.

Additional evidences -- additional 4 5 documents to accompany timber imported from Cameroon and from Congo when they submit it. 6 And 7 I think that without new divisions, one cannot 8 import timber from high risk countries into 9 Vietnam. According to our Decree 102, we have also announced the list of high risk countries on 10 11 non-active geographic areas and list of risk 12 species.

Accordingly, if importing timber from countries attributed to non-active geographic areas and high risk timber species, they will submit additional evidences. In reality, we have identified 51 countries which are attributed to active geographic areas, including US.

19 From now on, the export of timber from
20 US to Vietnam will go more convenient, more
21 easier, easy. Instead from other countries
22 people will have to be more careful in submitting

additional evidences and do more VDS. 1 2 And we have also identified 322 species which have been exported -- imported in 3 4 Vietnam with new species, which -- species which 5 are listed by CITES are endangered species identified by Vietnam even will have to submit 6 more evidences and more documents. Thank you. 7 8 MR. SULLIVAN: Thank you. 9 MR. HOAI: Which are listed by CITES 10 are endangered --11 CHAIR LYONS: Andrew, I think you can 12 go ahead. 13 MR. STEPHENS: Okay, one more question 14 for Ngo Sy Hoai from the Vietnam Timber and 15 Forest Products Association. Ngo Sy Hoai, you've 16 described the role that VIFOREST played in 17 negotiating the EU timber agreement. Can you say 18 a little bit more about what you're doing to help 19 companies and the Vietnamese Government to 20 implement the agreement, and what needs to be 21 done in the coming year as the EU licensing 22 system begins?

1	MR. HOAI: Yes thank you. We have
2	been a very proactive member of EU Vietnam VPA
3	negotiation. I myself have been assigned to be
4	Co-Chairperson of the whole group. And I am a
5	member of joint-implementing body.
6	And you know, because the impact
7	caused by VPA/FLEGT will be mostly on the
8	enterprises, on the private sector, starting from
9	a farmer who are planting trees up to the lead
10	firms who are processing and importing timber
11	products. That's why with every element of the
12	VPA, we have to consent, advise with the private
13	sector.
14	I believe that everything from very
15	small things have been carefully concentrated
16	with the private sector represented by VIFOREST,
17	by my association. And, you know, there are many
18	important elements, many important components of
19	the VPA/FLEGT.
20	For instance, the organization
21	classification system. According to this
22	organization classification system, we will have

to classify our enterprises into two groups. And with the first group, people can plan -- can get export permit or import quite easily.

4 But with the second group of 5 enterprises which have certain -- with those -is not correct and they have some real bad 6 information about legality -- assuring legality 7 8 and law enforcement. They will be excluded from 9 the list of companies or enterprises who can 10 export their own products. That is one of the 11 examples we have to hand our enterprises to 12 follow.

13 And of course, as I -- I cannot, you 14 know, list all of activities we have been done with our member companies, anyhow, lot of things. 15 16 In the past, right now, and in the future, because VPA/FLEGT at the final stage, up to 17 18 probably two years will have to complete 19 organization classification and issue FLEGT 20 licenses for every shipment of timber to be 21 exported to the European Union and probably the 22 same for export to some other markets, including

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1 U.S. Thank you. 2 MR. STEPHENS: Thank you very much, that was very useful. 3 4 CHAIR LYONS: Thank you. I believe 5 there's one final question from USDA. Andrew, would you like to continue with that? 6 7 MR. STEPHENS: Yes. This one is for 8 John Luu of the Binh Duong Furniture Association, 9 and it's similar to what I just asked Ngo Hoai. So Mr. Luu, since the implementation of 10 11 (indiscernible) in October, what have your 12 members been doing to implement the new 13 requirements of that law, and what remains to be done? 14 15 MR. LUU: Yes, thank you for your 16 question. Hello? 17 MR. STEPHENS: Yes, proceed. 18 MR. LUU: Hello, hello --19 MR. STEPHENS: Yes, I can hear you. 20 MR. LUU: Yeah, yeah, the 21 implementation of VPA/FLEGT supposed to take some 22 And according to our supervisor and time.

advisor, we still have observing carefully about 1 2 step by step on the implementation of the VPA. According to information we received that will 3 4 take at least two years in order to overcome the 5 gap between the Europe and Vietnam enterprises. Surely at the moment we are trying to 6 7 follow all the regulations stipulated by the 8 Europe. Recently we have a meeting between the 9 Europe Committee with our enterprises and we try to finalize and find out the gap between how to 10 get to the fully implementation of the VPA/FLEGT. 11 12 And we believe that with the short 13 time coming and we can do everything and that we 14 can come to the final agreement on the VPA. 15 Thank you for your question. 16 MR. STEPHENS: Thank you very much. 17 CHAIR LYONS: Okay, thank you 18 Before concluding this panel, we'll everyone. 19 pause to see in any member of the 301 Committee 20 has any remaining questions for this panel. 21 Okay, in that case, thank you to 22 everyone from Panel One. We'll now proceed to

1 Panel Two. So if you're on Panel Two, you should 2 be seeing an invitation to interact live. Again, please go ahead and click yes as quickly as 3 4 possible. Once we've constituted Panel Two, 5 we'll begin. So this should take a couple minutes. Thanks. 6 7 (Pause.) 8 CHAIR LYONS: Okay, welcome back. 9 We'll now proceed with testimony from our second panel. We are still waiting for one or two from 10 11 this panel to accept invitations to interact 12 live. So again, please go ahead and do that and 13 then we'll add you to this panel. 14 But in the meantime, I'd like to invite Le Cong Thanh from Dai Thanh Furniture to 15 16 please proceed with your testimony. 17 MR. THANH: Thank you, can you hear 18 me, Mr. David Lyons? 19 CHAIR LYONS: Yes, I can. Please go 20 ahead. 21 MR. THANH: Okay, thank you, good 22 morning, Mr. David Lyons. I am Le Cong Thanh on

1	behalf of Dai Thanh Furniture Joint-Stock
2	Company. I'm highly appreciative the opportunity
3	to present our testimony at the virtual public
4	hearing as follow.
5	You know, firstly, the US market is a
6	main market for our company. From 2018 to 2020,
7	the export value of Dai Thanh Furniture wood
8	products to the US have been increased from 11.2
9	to 12.9 millions.
10	Secondly, Dai Thanh Furniture do not
11	import wood products from Cambodia, Laos,
12	Cameroon, and Congo Democratic Republic into
13	Vietnam and do not buy, sell, or use any imported
14	good and wood products from these country into
15	our production the supply for domestic or export
16	market.
17	Dai Thanh Furniture has been using
18	legal and sustainable plantation timber from
19	domestic forests, such as acacia or rubberwood,
20	or imported timber such as eucalyptus, mainly
21	from Brazil. Dai Thanh Furniture commit not to
22	use any substance of imported or domestic wood

that are exploited and traded in violation of law 1 2 of Vietnam or international regulation and standard such as Lacey Act, European Union Timber 3 4 Regulation. 5 You know, Dai Thanh Furniture are member of international association such Forest 6 7 Stewardship Council, though we totally understand 8 our responsible to use legal and sustainable 9 timber into our productions. Dai Thanh Furniture Company commit 10 11 ready to cooperate with the Competition Authority 12 of Vietnam, the Office of U.S. Trade 13 Representative, and the official and agencies of 14 U.S. Government in related process to the USTR 15 2020-0036 in accordance with the current law and 16 regulation. 17 Dai Thanh Furniture hopes that the 18 Office of U.S. Trade Representative and U.S. 19 Government to consider the comprehensive 20 friendship between two countries and the 21 legitimate interests of people and businesses of the two countries so as not to involve taxes or 22

1	any commercial action with respect to the
2	imported good from Vietnam to the United States.
3	Thank you for the opportunity for me
4	to provide insight and testimony from our company
5	today.
6	CHAIR LYONS: Thank you very much for
7	that. We'll now proceed to Thao Do from the Tien
8	Dat Furniture Corporation.
9	MS. THAO: Yes, can you hear me?
10	CHAIR LYONS: Yes, I can, go ahead.
11	MS. THAO: Okay, thank you. I'm Thao
12	Do, I will present Tien Dat Furniture Corporation
13	today.
14	Tien Dat Furniture Corporation was
15	established in 1999 in Binh Dinh, Vietnam, and we
16	manufacture export forest products, which include
17	outdoor furniture, indoor furniture, and kitchen
18	cabinets. Tien Dat is an active member of Forest
19	Products Association of Binh Dinh and Vietnam
20	Timber and Forest Product Association.
21	We would like to give our official
22	testimony on this investigation. So first of

1	all, Tien Dat exports 100% of our products to
2	foreign markets with no business within the
3	domestic market. In the past years, from 2017 to
4	2019, our main markets are the European countries
5	and the United Kingdom, which accounted for more
6	than 70 percent of the total export turnovers.
7	The United States market has also been
8	growing for us over the past few years, with
9	MasterBrand Cabinets as our main customer, who is
10	one of the largest cabinet manufacturers in North
11	America. And with the high profile customer
12	comes with the higher requirements of compliance,
13	which is essential in order to be part of a
14	global supply chain.
15	Secondly, Tien Dat has been importing
16	legal and sustainable plantation raw materials
17	from countries with well-managed forests. We
18	have never imported or used woods from Cambodia,
19	Cameroon, Democratic Republic of the Congo, or
20	any natural forests or any regions considered
21	high risk.
22	To be more specific, Tien Dat imports

approximately 20,000 cubic meter of raw materials every year from different sources. For example, in 2019, we imported 8,700 cubic meters from the United States, 1,600 cubic meters from European countries, and 3,300 cubic meters from South America.

7 To meet with the growing demand from 8 the US market, Tien Dat is importing more raw 9 materials from the United States and to be used 10 in the products that are exported back to the US 11 market. We have imported 14,500 cubic meters 12 from the United States in the first nine months 13 of 2020.

On the other hand, Tien Dat also used 14 raw materials from local plantations in Vietnam 15 16 for acacia and rubberwood from Binh Dinh and the 17 Gia Lai Provinces. In 2019, we purchased 1,700 18 cubic meter of acacia and 2,500 cubic meter of 19 rubberwood. And up to this September, we have 20 purchased 2,000 cubic meters of rubberwood. 21 Thirdly, Tien Dat commits to comply with the laws of Vietnam and the international 22

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1	laws in relation to wood materials. Our
2	materials importing process is in accordance to
3	the Decree 102 issued by Vietnamese Government,
4	with regards to the Vietnam Timber Legality
5	Assurance System, and the Circular 27 issued by
6	the Ministry of Agriculture and Rural
7	Development, which stipulates the management and
8	traceability of forest products origins.
9	These regulations require high level
10	of due diligence and chain of custody
11	documentations that we, the Vietnamese wood
12	product manufacturers, have to comply. For
13	imported materials, we always have to have full
14	sets of legal documents and valid certificates
15	for all the lots of the timber, such as LSE, VEFC
16	(phonetic) certificates, or maybe the government
17	permits or certifications.
18	On the other hand, every year, Tien
19	Dat goes through a number of factory audits, both
20	from our customer and third parties. Some of the
21	notable audits are LSE's CoC, the chain of
22	custody, or the BSCI, the business social

comprised initiatives.

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2 With this in place, Tien Dat ensures our factories' standards from incoming materials 3 to production and quality management for exported 4 goods are always in accordance with our goals of 5 sustaining the environment and protecting social 6 7 security for our workers. With the points we have addressed, we 8 9 once again would like to emphasize that Tien Dat completely complies with the laws of Vietnam and 10 11 the international laws on the import and use of timber in production. We are committed to work 12 13 with our Vietnamese organizations, Vietnamese 14 Government, and the U.S. Government to combat with the illegal logging anywhere in the world. 15 16 And in fact, eight Vietnamese 17 organizations of forest products have together 18 signed a commitment on promotion of Vietnamese 19 wood industry sustainable development. Our organizations also established the Green Vietnam 20 21 Foundation that promotes forest development and plantations. 22

1	We are looking forward to together
2	promote a free and fair trade and this wood
3	industry and contribute to the development of the
4	United States and Vietnam. Thank you.
5	CHAIR LYONS: Thank you very much for
6	that testimony. We'll now turn to Uyen Huynh
7	from the Hiep Long Fine Furniture Company.
8	MS. UYEN: Hi, can you hear me?
9	CHAIR LYONS: I can, yes.
10	MS. UYEN: Great, thank you. Good
11	morning, we are Hiep Long Fine Furniture Company,
12	a wooden manufacturer located in Binh Duong
13	Province, Vietnam.
14	Here are some points that we would
15	like to testify regarding Section 301,
16	investigation of Vietnam's acts, policies, and
17	practices related to the import and use of
18	illegal timber to discuss about USTR's allegation
19	towards the Vietnamese timber industry.
20	As a manufacturer with almost 30 years
21	of producing and exporting high end indoor and
22	outdoor furniture to the USA, Europe, Japan, we

are committed to use wood lots and timber from 1 2 legal resources with forest ownership certifications and/or FSC, Forest Stewardship 3 Council, certification to produce all of our 4 furniture. 5 Most of our exportation to the US 6 markets are outdoor furniture, which are made of 7 8 certified plantation teak imported from South 9 America, specifically Brazil, Costa Rica, and For indoor furniture, we import 10 Panama. 11 furniture from the US and Europe. 12 We have never imported any wood lot or 13 timber sources from Cambodia, Cameroon, and the 14 Democratic Republic of Congo. More importantly, we have no intentions on doing so in the future. 15 16 We have a sizable amount of 17 exportation to the US and Europe in which 18 requires FSC. In order to keep our FSC status 19 current, we need to have our COC, chain of

20 custody, certificate audited annually strictly to
21 make sure that we, the manufacturer, comply
22 standardized production process and regulations

stipulated by our government and the countries we
 export to.

Therefore, we find it unfair to indict businesses like us who puts a lot of effort into making sure that our raw materials always come from the legal and certified sources.

7 In summary, we are confident to say 8 that we always produce furniture from certified 9 sources. We are willing to cooperate with our government and the US Trade Representative to 10 11 properly identify and resolve the issues raised 12 in Section 301 by providing any documents requested and being visited by the USTR to see 13 14 the scale of the legitimacy of our operation. With the information provided above, 15 we believe that it would be unfair for the

we believe that it would be unfair for the
Vietnamese manufacturers like us who do
everything right from the beginning to be
responsible with legal sources from the beginning
if the US creates barriers which would limit
exportation to the US market.

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In addition, the US importers will

1	also get affected by this since they have to pay
2	a higher price now. In the end, the end
3	consumers will be the ones who will be paying for
4	these high prices.
5	We kindly ask that you take our
6	comments into consideration in hopes that there
7	will be a good solution for the business relation
8	between the US and Vietnam to continue to grow in
9	a positive direction. Thank you.
10	CHAIR LYONS: Thank you very much.
11	We'll now turn to our last panelist, Phuong
12	Nguyen from Minh Thanh and Van Thinh Phat
13	Furniture.
14	MR. PHUONG: Hello, good morning. Do
15	you hear me?
16	CHAIR LYONS: Yes, we can. Are you
17	able to turn your video on as well?
18	MR. PHUONG: Hello, do you hear me?
19	CHAIR LYONS: Yes, hi, we can hear
20	you.
21	MR. PHUONG: Okay, I am Phuong Nguyen
22	from Minh Thinh Company, established in 2000.

1	And Van Thinh Phat Furniture was established in
2	2014.
3	Our companies mainly is bought
4	furniture, indoor furniture to US market. Hello?
5	Hello? Hello?
6	CHAIR LYONS: Yeah, yeah. Hi, we
7	could hear you. Why don't you continue with your
8	microphone and video turned on.
9	MR. PHUONG: Hello, hello?
10	CHAIR LYONS: Yes, hi, we can hear
11	you. Please go ahead.
12	MR. PHUONG: Okay, thank you. So I am
13	representative of Minh Thanh Company. We're
14	established in 2002. And Van Thinh Phat
15	Furniture was established in 2014.
16	Our company is mainly export to U.S.
17	market. We have 3,500 workers and our turnover
18	is 55 million U.S. dollar. Our main customer is
19	Vanishing Home (phonetic), Model's Furniture,
20	International A America (phonetic). The retailer
21	that Raymour & Flanigan, (indiscernible),
22	American Signature and (indiscernible) Market.

1	We mainly produce indoor furniture
2	from soft wood and pine lumber from South America
3	and New Zealand, acacia lumber and rubberwood
4	from domestic plantations. We import lumber
5	34,000 cubic meter pine lumber per year. Our
6	mainly import from Chile, New Zealand and all
7	other some other South America. We would like
8	to commit that we never use illegal hardwood to
9	produce furniture and export to USA.
10	We would like to commit that we never
11	import endangered lumber from Cambodia, Cameroon,
12	and Democratic Republic of the Congo. In our
13	role order, wood we buy need to have the
14	certified from with the sawmill satisfy FSC or
15	VVSC.
16	Thank you for your hearing our
17	thank you for your listening our my hearing
18	testimony. Thank you.
19	CHAIR LYONS: Thank you very much for
20	your testimony. We'll now turn to questions from
21	our U.S. Government panel. Before we do that,
22	I'd like to introduce two new panelists, Albert

Yam from Treasury and Stephanie Swinehart from 1 2 USDA. And I believe we'll start with a question 3 from Treasury, so please go ahead. 4 MR. YAM: Yes, hello. Can everyone 5 hear me? CHAIR LYONS: 6 Yes. Okay, I have a question for 7 MR. YAM: 8 Thao Do of the Tien Dat Furniture Corporation. 9 You mentioned the legal documents and certifications required for all of your timber 10 11 imports. Could you describe your company's participation in any sustainable forestry 12 13 certification programs that are managed by 14 accredited third party organizations? Thank you. 15 MS. THAO: Can you hear me now? 16 Sorry. 17 CHAIR LYONS: Yes, we can hear you. 18 MS. THAO: Yes, so some of the 19 international organizations that we have 20 participated, which are the FSC, which is the 21 Forest Stewardship Council. Once we bought the FSC wood materials, we also participate in the 22

1	FSC COC, which is the FSC chain of custody.
2	And we have that audited every year in
3	July, to verify that our FSC certified materials
4	has been managed and separated from the non-
5	certified and the non-control materials, and it's
6	make its way along the way to the supply chain
7	from the forest to the market.
8	And beside that, we also are following
9	the Lacey Act for the Lacey Acts for our
10	MasterBrand Cabinets customer, which we have
11	which we follow by having providing using the
12	genus and species that are allowed in the Lacey
13	Act.
14	And also we have to have a supply
15	chain mapping, which include from the beginning
16	like the transportation documents, new documents,
17	contrast purchase orders, regions of harvest,
18	forests of origins harvest, any cutting permits,
19	harvesting permits, or any FSC certifications or
20	the government permits of certification.
21	So we make sure that we have all those
22	documents, which is also one of our due diligence

process.

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2	MS. BONNER: Hi, this is Sarah Bonner
3	from FDA for Thao Do. I had a followup question.
4	Could you please describe how the certification
5	programs confirm that the imported timber comes
6	from a sustainable source, particularly if the
7	imported timber is high risk or comes from a high
8	risk source?
9	MS. THAO: So we so most of our
10	importing process importing process is in
11	accordance to the Decree 102, which is the
12	Vietnam Timber Legality Assurance System, and
13	also with the Decision 4831 from the Ministry of
14	Agriculture and Rural Development that list out
15	the high risk regions and also the positive
16	regions.
17	So for the positive regions, we have
18	for example, we have the in the America, we
19	have the United States, and in North America we
20	have Canada, South America we have like the
21	Brazil, which is also one of the country that we
22	are buying woods from. Or maybe we're also

buying woods from the European countries, such as
 the Croatia.

So those regions are listed in the 3 4 Decision 4831 by the Ministry and we are 5 following the exact guidance from our government. CHAIR LYONS: Thank you for that. 6 Ι 7 have a question for Le Cong Thanh from Dai Thanh 8 Furniture. You mentioned your work to import 9 timber that is legally sourced. Can you describe 10 your company's process to ensure the timber you 11 use is legally sourced? 12 MR. THANH: Can you repeat the 13 question again? 14 CHAIR LYONS: Sure. You had mentioned that you only import timber that is legally 15 16 sourced. Could you describe how your company's 17 process to make sure that the timber that you use 18 is legally sourced? 19 MR. THANH: Yes. You know, we are Dai 20 Thanh Furniture and we mainly producings products 21 for entry-level clients. And our production is for many U.S. clients, just like Lowe's, World 22

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1 Market. And always ones we export, we have to 2 provide on the document, which is the COC, chain of custody, from where we harvested, from where 3 we cut the wood and take into production. 4 So 5 only processed under laws and guidance of the COC, and then we send those documents to our 6 7 clients for them the to examine and document 8 where we take the wood from. 9 And also we have been educated by our 10 association that the -- to use -- that the goods 11 allowed by the Vietnamese Government to produce 12 the furniture that we export to those market. 13 CHAIR LYONS: Thank you for that. 14 We'll turn to our next question. Thank you, and I also 15 MR. THOMPSON: 16 have a followup question for Mr. Le Cong Thanh. 17 And it follows on from the previous question. Ι 18 heard you mention in your testimony that your 19 company participates in sustainable forestry 20 certification program under FSC, the Forestry 21 Stewardship Council. Are there other programs 22 that Dai Thanh uses for third-party

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certifications?

2	And also, under FSC sorry, the
3	second part is, under FSC or any other program,
4	could you describe what your company must do to
5	maintain that certification.
6	MR. THANH: Yes, Mr. Luke. Beside
7	FSC, we have audits that are fairly consistent
8	SCIs, because every year we get audited by
9	clients, just like Lowe's, Walmart. And they
10	send, you know, auditors to our companies to
11	review our documents. And then also we have
12	we set up a system, and so a group of people in
13	our company who monitors those the SCI, you
14	know, the FSC. And we keep track and then we
15	report that to our clients every year.
16	MR. THOMPSON: Thank you for that.
17	MS. KENNEALLY: I have a question for
18	Uyen Huynh of the Hiep Long Fine Furniture
19	Company.
20	MS. UYEN: Yes, hi.
21	MS. KENNEALLY: Hi. Similarly, I
22	would like to you mentioned that your company

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maintains the Forest Stewardship Council certification and that as part of it, you need to submit annual audits. Can you describe the due diligence and other steps you must go to pass the audit each year?

Yes. So like I've 6 MS. UYEN: 7 mentioned before, we are audited annually to 8 maintain the certification. We section off our 9 FSC and non-FSC timber very clearly. In our production process we will have different color 10 11 papers for -- to indicate very well which is non-12 FSC and which is FSC. So then when we're 13 audited, the personnel will base on that. And to 14 the realistic timber, we have in the company to Is that clear? 15 audit us. 16 MS. KENNEALLY: Thank you. 17 MS. SWINEHART: Hi, thank you for your I also have a question for Hiep Long 18 testimony. 19 Fine Furniture Company. Since the implementation 20 of Vietnam's Timber Legality Assurance System in 21 October of this year, what have you done -- what 22 have you been doing to implement the new

requirements of that law and what remains to be 1 2 done? 3 MS. UYEN: I'm sorry, can you say that 4 one more time, please? 5 MS. SWINEHART: Yes. Since the 6 implementation of Vietnam's Timber Legality 7 Assurance System in October of this year, what 8 have you been doing to implement the new 9 requirements of that law, and what remains to be done? 10 11 So we have all of the MS. UYEN: 12 paperwork from when we import all the way to when 13 we export to our customers. So that includes 14 forest ownership, when we import. And we have 15 the same to when we export as well. 16 So, and the paperwork comes with 17 commercial invoice, CO, a certificate of origin, 18 and yeah, and forest ownership documents, FSC 19 certifications if needed. If we're shipping to 20 Europe, we definitely need our COC and our FSC 21 documents. 22 MS. SWINEHART: Thank you.

1	MS. UYEN: Yeah.
2	CHAIR LYONS: Thank you for that.
3	This next question is for Minh Thanh Furniture.
4	Can you describe your company's process to ensure
5	that the timber that you use is legally sourced?
6	MR. PHUONG: Because we are
7	(Telephonic interference.) lumber. And we
8	when we deal with the importer and also the saw
9	mill, they need to show their certificate of FSC.
10	And we import from like New Zealand, Chile, where
11	is mostly forest, plantation forest for soft wood
12	like pine.
13	They also need sent so the all
14	document they needed like certificate of origin,
15	title exemplary. When we export to USA, we need
16	also approved by our customer, like we show all
17	the Lacey Act consumer when we ship the product
18	to U.S.
19	Hello, do you hear me, hello?
20	CHAIR LYONS: Yes, thank you for that.
21	Thank you.
22	MS. SWINEHART: Thank you. This is

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Stephanie Swinehart again, representing the U.S. 1 2 Department of Agriculture. This question is also for Minh Thanh Furniture Company. 3 Since the 4 implementation of Vietnam's Timber Legality 5 Assurance System in October of this year, what 6 have you been doing to implement the new requirements of that law, and what still remains 7 8 to be done? 9 MR. PHUONG: So -- when we started, we 10 show all the document that our regulation needed 11 to the custom and our government's control to 12 when the import the lumber. Like all the 13 document they needed, we need to show everything, 14 like -- because our lumber mainly used is the pine, is a soft wood from plantation forest, so 15 16 it is fairly easy to -- that is show this, the title and also CO to the custom to control. 17 18 MS. SWINEHART: Great, thank you very 19 much. 20 CHAIR LYONS: Okay, thank you to 21 everyone for your responses. Before concluding 22 this panel, I'm going to pause to see if any

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member of the 301 Committee has any further
 questions.

3	Hearing, none, I'd like to thank the
4	members of the second panel. And we'll now
5	proceed to our third panel. Again, doing so is
6	going to take a couple of minutes. If you're on
7	the third panel, please go ahead and accept our
8	invitation to interact live. And I'll also be
9	turning over the chair to Kimberly Reynolds from
10	USTR.
11	(Whereupon, the above-entitled matter
12	went off the record at 11:31 a.m. and resumed at
13	11:37 a.m.)
14	CHAIR REYNOLDS: Hello. My name is
15	Kimberly Reynolds and I'm with the United States
16	Trade Representative. So, now we are going to
17	proceed with testimony from our third panel.
18	Mr. Caperton, you may proceed with
19	your testimony.
20	MR. CAPERTON: Thank you. Good
21	morning. My name is Gat Caperton. I'm the
22	president and CEO of Gat Creek, a solid wood

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furniture manufacturer in Berkeley Springs, West 1 2 Virginia. On behalf of myself and the 42 highly skilled Americans working at our factory today, I 3 4 am pleased and honored for the opportunity to 5 speak with you. To better understand our concerns 6 about Vietnam I will begin with the U.S. side of 7 8 the wooden furniture business. 9 When I say Gat Creek furniture is made in America we don't mean it's just produced by 10 11 American workers, although it certainly is, it 12 also means that we follow all the state and 13 federal rules and regulations governing use of 14 timber in this country. To ensure full supply chain 15 16 compliance, and because we care about sustainable 17 production, we source all of our timber 18 exclusively through local suppliers that meet 19 strict conservation standards. 20 Let me be clear. I have no complaints 21 about the following, and even -- or about the 22 following and even promoting the rules that

preserve our timber resources. Gat Creek is fortunately located near the geo-center of the Appalachian forest, one of the world's most successful. With more trees now than 30, 60, 100 years ago, we are proud to do our part as a good steward.

But, to maintain these high standards,
American companies like Gat Creek must have the
chance to compete on a level playing field. That
brings us to Vietnam.

11 It has been an open secret that 12 Vietnamese producers of wooden furniture take 13 advantage of illegal timber to mold their 14 products. Last year, the European Union was so 15 concerned about this issue that it entered into a 16 Volunteer Partnership Agreement with Vietnam to 17 constrain the illegal timber trade.

But more problems remain. Last month, the American Furniture Manufacturers' Committee for Legal Trade, of which Gat Creek is a member, provided you their list from April 2020 to unwrap the illegal logging in Vietnam. The AM -- the AC

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-- AFMC also submitted evidence that the 1 2 Vietnamese furniture producers have access to illegal timber from other countries, including 3 4 Laos, Cambodia, the Dominican Republic, the 5 Democratic Republic of the Congo. There are also reports of illegal timber being shipped from 6 7 Cameroon to Vietnam. 8 In short, Vietnam is apparently not 9 taking sufficient steps to restrict sales of illegal timber. 10 11 These facts are a major concern for 12 everybody who makes wooden furniture in the United States. Timber is the biggest raw 13 material we have. It can account for 30 to 40 14 15 percent of the costs for wooden beds. 16 If American producers pay a fair price 17 for sustainable timber while Vietnam producers 18 use timber that is obtained illegally, then 19 Vietnamese producers will obviously have a 20 significant and unfair cost advantage. 21 Competing with low-price imports from 22 Vietnam has made a challenge. In 2014, the

United States imported approximately \$1.5 billion
worth of wooden bedroom furniture from Vietnam.
In 2019, the figure was \$2.1 billion, and
increased just under 40 percent in five years.
Last year, Vietnam accounted for more
than 51 percent of the value of U.S. imports of
wooden bedroom furniture. We don't mind fair
competition, but using illegal timber is not
fair.
In short, you should declare that
Vietnam is engaging in unfair trade practices by
failing to adequately restrain trade in illegal
timber. You should also find that Vietnam is
hurting American companies and workers by forcing
them to compete against imports of wooden
furniture made from illegal timber.
I urge the U.S. Government to take
full to take firm and aggressive steps to end
unfair practices and allow American companies
like Gat Creek to compete in a market that is not
distorted by illegal timber practices.
Thank you very much.

1	CHAIR REYNOLDS: Thank you for your
2	testimony, Mr. Caperton.
3	And now I would like to invite Mr.
4	Schumacher to present their testimony.
5	MR. SCHUMACHER: Kimberly, thank you
6	very much. My name is Mark Schumacher. I'm the
7	CEO of the North American Home Furnishings
8	Association. And we represent roughly 1,400
9	retail home furnishing members, operating around
10	7,500 storefronts around the country.
11	I want to point out right out of the
12	gates here that as an industry and as an
13	association we are opposed to all illegal logging
14	practices. And I believe that if such practices
15	are verified in Vietnam that we certainly would
16	support the pursuit of negotiated settlements
17	with Vietnam to end these practices. And, if
18	punitive actions are deemed necessary, they be
19	levied against the specified offenders and their
20	products.
21	The reason we are here today and our
22	deep concern is over the potential of across-the-
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board tariffs. Should the USTR recommend the
 Administration follow through with what I would
 call broad spectrum tariffs on furniture made in
 Vietnam, it would negatively impact U.S.
 consumers, U.S. home furnishing retailers, and
 our economy as well.

I don't think it's a secret for 7 8 anybody listening to this that the COVID-19 9 crisis certainly has been a challenge for all of us, and furniture business owners have been 10 tested really in ways they never imagined. 11 For 12 two months in many cases stores were completely 13 shut down, leaving many with no revenue. And we 14 know that many thousands, tens of thousands of workers have been furloughed. 15

The home furnishing retailers managed through this, lengthy closures, et cetera, to bounce back strongly as stores reopened because we really realized that what our industry sells is essential, especially right now when you consider the fact that the American people are living, all of us now -- and perfect example

right now in a room in my house -- we're working at home.

The boost in sales that we saw when 3 4 stores reopened certainly allowed struggling 5 retailers to bring some workers back. It made up for recent no revenue and energized a sluggish 6 retail economy. And, in many ways the home 7 8 furnishing retail space has been a bright spot in 9 our economy, while restaurants, hotels, airlines, others have continued to struggle with shutdowns 10 11 and restrictions. 12 However, I want to point out that all 13 is not well with our industry. Supply chain 14 disruptions are likely to drag out well into And they're forcing home furnishing prices 15 2021. 16 up as retailers are battered by higher costs for 17 shipping and for transportation of goods. 18 To give you an example, the price of 19 a shipping container right now, which is not including the costs of the goods inside of it, in 20 21 many cases has quadrupled while that container is

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on the water working its way to the U.S.

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one member retailer that mentioned that they 1 2 would typically pay \$2,500 for a container. They are now paying \$10,000. 3 And retailers simply cannot shoulder 4 5 all of those added costs, so prices to consumers are increasing. 6 So, here's what we're asking: 7 8 If violations are definitively 9 discovered, that any punitive actions that you consider be levied against Vietnam and focus on 10 products tied to the illegal sourcing of timber, 11 12 not an across-the-board approach for all 13 furniture exported from Vietnam. A draconian 14 response would needlessly punish companies complying with the wood sourcing norms, and 15 16 further disrupt the supply chain and drive 17 furniture prices up higher for consumers. 18 In my vocabulary, that would add 19 insult to injury at a time when there are just 20 too many negative pressures on furniture 21 retailers and, most importantly, the customers that they serve, the customers that need their 22

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essential goods.

2	Just so you're aware, and I know a lot
3	of numbers have been bandied about this morning,
4	but in 2019 the U.S. exported about \$350 million
5	of timber to Vietnam for furniture production
6	that was imported back in the in finished
7	products that were sent here to the U.S. None of
8	that timber was or is currently parsed as
9	illegal.
10	So, a tariff on all products out of
11	Vietnam would punish the manufacturers who source
12	their materials properly, the retailers who sell
13	them, and the Americans who buy them.
14	I know we've heard from a number of
15	the Vietnam manufacturers in this hearing today,
16	and that there have been some interesting
17	comments on how they have in many respects
18	complied. We also understand about the
19	competitive concerns for American companies as
20	well.
21	But we would just say this: please
22	choose action that focuses on offenders, targeted

1	to goods that are made using illegal practices.
2	Don't unnecessarily harm compliant U.S.
3	companies, hurt American consumers, which is
4	precisely what sweeping tariffs would do.
5	And I thank you very much for your
6	time today.
7	CHAIR REYNOLDS: Thank you for your
8	testimony, Mr. Schumacher.
9	Next could I please have Ms. Cindy
10	Squires present her testimony.
11	MS. SQUIRES: Yes. Thank you very
12	much. I appreciate this.
13	Good morning. My name is Cindy
14	Squires and I'm the executive director of the
15	International Wood Products Association, or IWPA.
16	IWPA is recognized internationally as
17	a key industry voice in supporting legal,
18	sustainable trade in wood products. IWP is proud
19	of its wood trade compliance training program
20	which was established in partnership with the
21	World Resources Institute and USAID.
22	IWPA has trained compliance staff and

1	executives from companies of all sizes in the
2	United States and abroad. Our extensive comments
3	provide a number of technical and policy points
4	that are important for the committee to consider.
5	First, Vietnam is important to the
6	wood products trade both for import and export.
7	U.S. hardwood and softwood producers regard
8	Vietnam as a vital and growing market for lumber,
9	veneers, and logs.
10	U.S. wood product importers rely on
11	Vietnam as a source for a variety of wood
12	products that are input to U.S. cabinet
13	manufacturers, builders, renovation contractors,
14	DIYers, as well as finished home goods that go
15	directly to the retail customer.
16	Vietnam is not just a story of wood
17	product imports, it's a story of an important and
18	growing market for U.S. exporters of hardwood and
19	softwood. This shift happened prior to the
20	current Section 301 tariffs on China. Vietnam
21	has been a growing market for U.S. hardwoods and
22	softwoods for approximately five years.

1	Many products exported from Vietnam to
2	the United States contain previously-imported
3	hardwood from the United States. In addition,
4	many imported wood products from Vietnam contain
5	low risk wood, either due to growing conditions
6	such as plantation grown, or other low risk
7	species.
8	Regardless of the origin of the wood,
9	the vast majority of imports of wood products
10	from Vietnam are certainly not covered by CITES.
11	Painting all Vietnam wood products in the same
12	brush is unfair to U.S. exporters and importers,
13	and to the entire concept of due diligence.
14	The paltry evidence noted in the
15	initiation of the investigation is not
16	substantiated in any of the documents that have
17	been published by USTR regarding this
18	investigation, and omits the current facts on the
19	ground in Vietnam.
20	Beginning in 2010, Vietnam began
21	negotiating a Voluntary Partnership Agreement
22	with the European union that addressed forced

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legality governance. An extensive multi-1 2 stakeholder process resulted in a new law governing the trade and manufacturing of forest 3 4 products. 5 Vietnam issued a risk-based timber 6 legality assurance system, the VNTLAS, on 7 September 1, 2020, that went into effect on 8 October 30th, 2020, just 22 days after the 9 initiation of this investigation. This will ultimately result in the implementation of a 10 11 FLEGT licensing scheme in 2022. 12 We note that these efforts are on top 13 of a an importer's due diligence systems. 14 The U.S. already has a very effective and targeted enforcement tool at its disposal in 15 16 the Lacey Act. This act, which has two 17 components, first, the prohibition on the 18 importation and sell of any wood product that was 19 illegally sourced under the U.S. and foreign law 20 and, second, the import declaration that requires 21 the importer to report the country of harvest, 22 and genus and species for specified wood product

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2	IWPA's wood trade compliance program
3	helps importers be successfully in navigating
4	both of these legal requirements. We believe
5	there is a solution that avoids damaging tariffs
6	while providing an important bilateral dialog and
7	coordination on these important issues.
8	The U.S. and Vietnam have a trade and
9	investment framework agreement that has,
10	candidly, been under utilized. We believe this
11	framework provides for high level dialog that can
12	appropriately address both the subject of the
13	hearing as well as Vietnam's currency policies.
14	We strongly urge the Administration to use this
15	existing process to address any trade irritants
16	between the U.S. and Vietnam.
17	We also urge the Administration to
18	involve key stakeholders, including U.S.
19	exporters, importers, and manufacturers that rely
20	on wood products trade with Vietnam in such a
21	process.
22	Finally, I would like to make clear

1 that if tariffs are placed on wood products from 2 Vietnam a number of unintended consequences will 3 occur. First, U.S. hardwood and softwood 4 5 exports will certainly face retaliation. This was the immediate response by China in relation 6 to the Section 301 List 3 tariffs. 7 8 Second, the EU-Vietnam bilateral VPA 9 process will continue. This process has resulted in meaningful improvements in Vietnam's 10 11 regulatory and enforcement environment, and paved 12 the way for the EU to benefit from Vietnam's need 13 for wood imports. 14 Third, while the EU process continues 15 the U.S. will lose influence and market access 16 versus one of its biggest competitors in this 17 market. 18 Thank you for the opportunity to 19 appear today on this important topic. I'm happy 20 to answer any questions you would like. 21 CHAIR REYNOLDS: Thank you for your 22 testimony, Ms. Squires.

I'd now like to invite Ms. Rachel
 Stewart of Gardner-White Furniture to proceed
 with her testimony.

MR. STEWART: Hello. Thank you for 4 5 My name is Rachel Tronstein Stewart, having me. and I represent the approximately 1,000 families 6 7 from the Gardner-White team. We are the leading 8 furniture retailer in Michigan, originally 9 established in 1912. And I'm now the fourth 10 generation Gardner-White owner in our family.

We're projected to do approximately \$300 million in sales in 2021. And we not only manufacture, have ownership in our production facilities, we work with our local, domestic, and global vendor partners closely to bring the best value to our customers.

Vietnamese imports represent a
significant portion of our product line-up. The
products we import from Vietnam primarily include
motion upholstery, bedroom furniture, dining
sets, and occasional tables. And at current
levels we will import approximately 50 million in

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Vietnamese goods in 2021.

2	American consumers will, in our case
3	Michigan consumers, will bear the brunt of price
4	increases on Vietnamese imports in two regards:
5	First, they won't have access to
6	products at a time when their homes have morphed
7	into schools, offices, restaurants, and gyms.
8	There simply is not capacity, either domestic or
9	global, to offset Vietnamese imports.
10	For example, given current supply
11	chain constraints, the lead time on domestic
12	motion upholstery has gone from 2 to 8 weeks to
13	now 6 months.
14	Second, given these supply chain
15	constraints, consumer prices will simply be
16	forced to increase. Depending on the penalty, an
17	899 sofa will quickly become north of \$1,200.
18	There is not a flexible supply chain that can
19	simply relocate manufacturing. Instead,
20	consumers will just have more limited product
21	selections at absurd price points.
22	There is no way to insulate the

families or get away from these trends.
 Diminished sales means diminished demand for jobs
 across the board: delivery drivers, sales
 personnel, accounting and finance, et cetera.
 And this is being considered in the context of a
 weakened economy resulting from the COVID
 pandemic.

8 As a company, we are very much 9 concerned about the impact of supply chain on our environment and on our supply chain, which is why 10 we are Gardner-White work with our vendor 11 12 partners who either import timber from the United -- who import timber from the United States and 13 14 Canada, or from brokers and importers who meet all legal criteria. 15

16 The Vietnamese production facilities 17 and supply chains are relatively sophisticated in 18 terms of material sourcing. Our concern with 19 limiting imports from Vietnam is that the 20 manufacturing would move to less sophisticated 21 countries or facilities who lack the 22 infrastructure to protect finite natural

resources, and would manufacture at a lower 1 2 quality and a higher price point. Thank you for having me today. 3 CHAIR REYNOLDS: And thank you, Rachel. 4 I'm now going to invite Andrew Counts 5 of the American Home Furnishings Alliance to 6 7 present your testimony. MR. COUNTS: Good morning. I am Andy 8 9 Counts, CEO of AHFA. Can you see me? 10 CHAIR REYNOLDS: We can see you, yes. 11 MR. COUNTS: All right. I'm Andy 12 Counts, CEO of AHFA. And I appreciate the 13 opportunity to testify today. 14 The American Home Furnishings Alliance is based in High Point, North Carolina, and 15 16 represents more than 200 leading furniture 17 manufacturers and distributors, plus over 150 18 furniture industry suppliers. 19 We serve as a voice for the U.S. 20 residential furniture industry, representing 21 companies large and small, public and private. 22 As explained in our prior filings, our

association has been at the forefront of 1 2 addressing the important environmental and sustainability issues in our industry. 3 First and foremost, we oppose all 4 5 illegal logging practices, but we must again object to the lack of transparency in this 6 process. Per our request, USTR has still not 7 8 revealed any of the so-called supporting 9 documentation relied upon in this investigation. We were dismayed to discover that we 10 were the sole industry singled out in USTR's 11 12 current investigation. The reasoning for 13 singling out our industry remains unknown to all 14 but USTR and, consequently, we are unable to 15 speculate on or, more importantly, adequately 16 defend ourselves against the inclusion of the 17 furniture industry in the current investigation. 18 We firmly note that USTR stated in the 19 Federal Register announcing this hearing that it 20 intends to provide an opportunity to comment on 21 any specific products that may be impacted by the

current investigation, but that such product-

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1	specific comments should not be in today's
2	hearing. We stress that USTR must follow through
3	on this promise to provide interested parties
4	with a further round of comments.
5	Nonetheless, in the same FR notice
6	USTR again singled out the furniture industry.
7	It appears that the furniture industry is already
8	in the cross-hairs of USTR, but that USTR seeks
9	to prevent comment on why furniture has not been
10	subject to 301 tariffs.
11	Such a bias poisons USTR's
12	investigation from the start as its failure to
13	provide an adequate rationale for targeting the
14	furniture industry violates the basis protections
15	guaranteed interested parties under the
16	Administrative Procedures Act.
17	At a minimum, AHFA is entitled to a
18	reasonable opportunity to prevent our views in a
19	meaningful timely manner. These procedural
20	protections are guaranteed to us under both the
21	APA and the U.S. Constitution.
22	Second, but equally important, you

1	must take note of the nearly unanimous views of
2	commenters thus far that tariffs are not the
3	solution to the problem of illegal logging.
4	There's an unprecedented level of
5	unity in the initial written comments submitted
6	by interested parties regarding this
7	investigation. Various industry stakeholders,
8	environmental NGOs all agree that unilateral
9	action on tariffs are not the way to address
10	issues of illegal timber sourcing.
11	This is the kind of stakeholder effort
12	we need to continue if we are to further improve
13	upon the groundbreaking framework set forth in
14	the Lacey Act, which currently stands as the
15	world's leading illegal logging law.
16	Unilateral action is not what got us
17	there, nor is it what the industry needs now.
18	Existing enforcement under the Lacey Act and
19	CITES is already focused on identifying bad
20	actors. This allows for direct intervention,
21	resulting in a more precise result as compared to
22	the implementation of widespread tariffs that

will negatively impact the American economy, 1 2 including the furniture industry. Indeed, the rapidly growing market in 3 4 Vietnam, as we've heard from witnesses this 5 morning, timber and timber products industry that is actively working to meet the high standards of 6 7 our members, ensure the stable supply of legal 8 timber for our members. As AHFA stated in its initial written 9 10 comments, this is not a question of a scalpel 11 being more appropriate than a hatchet. USTR's 12 301 investigation is more akin to a cannon than either of those. 13 AHFA urges USTR, if it determines that 14 it must act in this investigation, to implement a 15 16 targeted strike that strengthens the existing 17 amount of protections outlined in our testimony. 18 Such an approach will target bad actors while 19 avoiding retaliatory impacts that will almost certainly bludgeon important U.S. industries 20 21 under the cannon shot approach of implementing 22 tariffs or quotas through Section 301.

1	I thank this committee for the
2	opportunity to present this testimony, and I'm
3	happy to answer any questions you may have.
4	CHAIR REYNOLDS: And thank you for your
5	testimony, Mr. Counts.
6	I'd now like to invite Shannon Liang
7	from Skyline Cabinetry, Inc. to present your
8	testimony.
9	MS. LIANG: Good morning, or good
10	afternoon, everyone. My name is Shannon Liang.
11	And I will testify on behalf of Skyline
12	Cabinetry, Inc.
13	Are you able to hear me?
14	CHAIR REYNOLDS: Yes. We can hear and
15	see you, yes.
16	MS. LIANG: Okay, good. Thank you.
17	So, Skyline was formed in 2016. It's
18	a Texas-based wholesale distributor of kitchen
19	and bath cabinets. Skyline employs about 62
20	people around the United States and operates a
21	125,000 square feet warehouse in Texas, Dallas
22	Dallas, Texas.

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1	In 2019, Skyline moved all of retail
2	production from China to Vietnam due to the
3	Chinese Section 301 tariffs and antidumping and
4	countervailing duties on Chinese cabinets and
5	vanities. By moving to Vietnam, Skyline can
6	continue to provide its customers with a cabinet
7	of exceptional quality at a competitive price.
8	Skyline gives a high priority to
9	compliance with the laws and regulations of the
10	United States and Vietnam concerning all matters,
11	including the timber industry. Similarly, its
12	Vietnamese suppliers are rigorously in compliance
13	with the local and international laws and
14	regulations to ensure that they only import and
15	use timber that is legally harvested and traded.
16	The products that Skyline imports from
17	Vietnam are not made from any illegally harvested
18	or traded timber. The wood species and country
19	of origin that they use are birch from Russia,
20	and rubberwood from Vietnam. None of these woods
21	are regulated under the CITES.
22	None of the wood used by Skyline

suppliers is sourced from Cambodia, Laos,
 Cameroon, or the Democratic Republic of Congo,
 the countries identified in the Federal Register
 Notice as a significant source of illegal timber
 exports.
 The wood material used in Skyline's
 gabinets are ESC certified, so there is no

7 cabinets are FSC certified, so there is no
8 illegal lumber harvested in the manufacturing
9 process. Skyline's suppliers are also audited by
10 Benchmark International for product quality and
11 legal compliances.

12 All the woods used in Skyline's products have been harvested in accordance with 13 14 the laws of the sourcing countries and imported 15 into Vietnam legally. Skyline and its suppliers account for the full chain of custody of each 16 17 shipment of the imported timber. They have 18 implemented a tracking system which will allow 19 them to pinpoint exactly which ocean container 20 has which lots of their imported timber. 21 The Section 301 targets the acts, policy, or practice of a governmental entity or 22

private party. However, the investigational
 notice suggests that only some unidentified
 private actors were engaging in the unlawful
 harvesting or trade of timber products in
 Vietnam.

If these bad actors smuggle illegally 6 harvested timber into Vietnam, that does not rise 7 8 to the level of becoming an unfair or 9 unreasonable act, policy, or practice of a governmental entity. Skyline is not aware of any 10 11 official Vietnamese acts, policies, or practices 12 permitting or encouraging the importation or use 13 of illegally harvested timber.

14 To the contrary, the Government of Vietnam has undertaken numerous corrective 15 16 measures to curb the illegal timber trade, such 17 as joining the CITES, signing a Forest Law, 18 strict internal enforcement and punishment of 19 violators, and entering into Governance and Trade 20 Voluntary Partnership Agreement with the EU, 21 among other things.

22

Vietnam has promulgated and

implemented a number of measures requiring due diligence on the importation of timber and the use of domestic timber.

Recently Vietnam's Ministry of
Agriculture and Rural Development issued a Decree
102 which requires additional due diligence and
chain of custody of documentation by Vietnamese
wood product manufacturers regarding their
sourcing. It requires certification of timber
origin prior to export from Vietnam.

11 Great harm will be done to Skyline, 12 the U.S. consumers, and U.S. timber industry if 13 the USTR imposes additional tariffs on wooden 14 products originating from Vietnam.

As we have stated earlier, Skyline has 15 16 moved its production from China to Vietnam 17 because Vietnam has a comparably skillful 18 workforce workers and comparable pricing. To the knowledge of Skyline there is no other comparable 19 20 country that will allow them to provide a high 21 quality product at the same time as good price. The imposition of Section 301 tariffs 22

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will disrupt Skyline's supplying trade, and many 1 2 other furniture distributors that are supplying And, consequently, the U.S. consumers 3 trade. 4 will be harmed by paying higher prices or getting 5 lower quality product. And we're also aware that U.S. also 6 has a high volume of exports to U.S. -- to 7 8 Vietnam. And the tariffs will definitely harm 9 the U.S. exports and trigger retaliation, which will harm U.S. trade. 10 11 So, I will be very quick. 12 Lastly, if the US -- we urge that if 13 the USTR identifies any Government of Vietnam 14 practice respecting timber was unlawfully 15 burdening or restricting the U.S. commerce, 16 Skyline requests that the responsive action 17 should be narrowly targeted. Any action should 18 be scrupulously crafted to only impact products 19 from Vietnam made from the specific species of 20 wood found to be illegally harvested, but not on 21 the legitimate wood products that are our prime imports. 22

1	Thank you very much. I welcome any
2	questions. Thank you.
3	CHAIR REYNOLDS: Thank you for your
4	testimony, Ms. Liang.
5	So, now we are going to move to some
6	questions. I have one question for Mr. Caperton
7	of Caperton Furniture Works.
8	So, you stated that the use of illegal
9	timber harms all participants in the supply
10	chain. And do you have any evidence of illegal
11	timber from Vietnamese exporters being used in
12	U.S. products?
13	And, if so, could you explain this
14	evidence?
15	And then, also, could you explain how
16	the use of illegal timber harms U.S. producers,
17	retailers, and consumers?
18	Thank you.
19	MR. CAPERTON: Yes, Ms. Reynolds.
20	Thank you very much.
21	All right, two parts. So, the harm of
22	illegal timber to workers and consumers in the

United States first and foremost, in that side
 obviously the entire market's connected and
 changed. So, when you come in -- when the, you
 know, an illegal timber devalues and takes value
 away from legal timber because of the cost. And
 it's full impact there.

I do not have any specific evidence
outside what we've, what our organization
submitted in writing earlier in terms of illegal
timber from Vietnam. My, you know, concern where
I would point to is that the import of Vietnam
wood furniture, the growth has been very
significant.

14The growth of the Vietnamese imports15of American timber it has grown as well, but16nearly to the same degree as the exports to the17United States has. There's a real gap there.

And I can't explain why that gap is, why the amount of legal timber purchased by Vietnam is not growing at the same rate as the exports of furniture, wood furniture to the United States.

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1	I hope I answered two questions.	
2	Okay.	
3	CHAIR REYNOLDS: Thank you.	
4	MR. CAPERTON: Thank you.	
5	MR. STEPHENS: Hi. This is Andrew	
6	Stephens from the U.S. Department of Agriculture.	
7	I have another question for Mr. Caperton.	
8	But first, on behalf of USDA, thank	
9	you for your work to bring jobs to rural	
10	communities. It's important for real prosperity.	
11	Manufacturing is a big part of that.	
12	And so my question for you is, you	
13	mentioned 30 to 40 percent of the cost of a	
14	wooden bed can be in the wood. So, to what	
15	portion of Vietnamese cost competitiveness do you	
16	attribute to the cost of illegally harvested	
17	timber?	
18	And how does that cost compare to	
19	other relative costs of labor and other costs in	
20	Vietnam?	
21	MR. CAPERTON: Sure. Thank you.	
22	And thank you, you know, we've got 142	
•		

people that all building furniture. And 1 2 appreciate the opportunity. It's a passion of ours, and we appreciate the opportunity to it. 3 4 And, you know, the USDA, you know, 5 supplies lumber guys, and the lumber, and that's one of the great, one of the great agriculture 6 7 products we have in our country. 8 You know, so wood material can easily 9 in a bed, for example, be 30 to 40 percent of the cost of the overall bed. 10 If you were to 11 substitute that with illegal timber that could be 12 a fraction of what the normal cost would be. Really could lead to a 20 to 30 to 20-plus 13 14 percent cost advantage. That would, you know, be an illegal cost advantage and it would be a great 15 16 detriment to the rest of -- to the business and 17 to folks who are working, working with legal 18 timber. 19 MR. STEPHENS: Great. Thank you very 20 much. MR. CAPERTON: Thank you. 21 MR. SULLIVAN: Hi. This is Matt 22

1	Sullivan from the U.S. Treasury. I have a
2	question for Mr. Schumacher from the North
3	American Home Furnishings Association.
4	You mentioned that your organization
5	is opposed to illegal logging and supports ending
6	the practice to be verified. Have you members
7	been impacted by the illegal trade in timber and
8	timber products in Vietnam?
9	And how do your members ensure that
10	their products imported from Vietnam do not
11	include illegally sourced timber?
12	Thank you.
13	MR. SCHUMACHER: Well, I appreciate
14	the, appreciate the question.
15	You know, I, from the members, I talk
16	to retailers of all sizes on a daily basis,
17	obviously. It's part of my job. You know,
18	everyone that I talked to related to this issue
19	has a great deal of confidence in the integrity
20	of what they are importing.
21	This is not only through the great
22	relationships they have with the manufacturers or

if they're producing over there themselves, but they have a great respect and confidence in the strength of the Lacey Act, and also the international regulations we've heard talked about today by many of the Vietnamese manufacturers that are here at the moment.

7 I wish I had a blanket response 8 because every business is different. Every 9 business has -- there's not a specific standard as to how a retailer, if you will, manages the 10 11 sourcing aspects of the products that they buy. 12 But, you know, you're talking about family-owned businesses that have long relationships with the 13 14 vendors and producers they work with, and they just exude a great deal of confidence in that. 15

And, again, I don't know that any of them or we have seen tremendous examples of tying this illegal harvesting question to any of the products coming into the U.S. You know, this is certainly shining an interesting light on it. But, again, I just want to make it very, very clear -- and this is not a debate, and

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I appreciate what's been talked about moments 1 2 ago, this is not a debate about made in America versus anywhere else. That's a separate subject 3 4 at this point that is far more complex than we 5 are going to be able to deal with today. But, there is just a great deal of confidence among 6 our retailers in this country that the items 7 8 they're getting are sourced properly. 9 You know, is there any way to 10 specifically know that 100 percent? No, there is But maybe that's an offshoot of this 11 not. 12 investigation is for people to think more, more 13 about that. 14 But they believe in the system and what we have in place currently, the strength of 15 16 the laws that we have and the regulations that 17 are being abided by. 18 MR. SULLIVAN: Thank you. 19 MS. BONNER: Hi, Mr. Schumacher. I'm 20 Sarah Bonner from SBA. I had a follow-up 21 question. MR. SCHUMACHER: Yes, Sarah. 22

1	MS. BONNER: I was wondering if you
2	could share what are the primary types of wood
3	products that your members import?
4	MR. SCHUMACHER: Well, I mean, I guess
5	I would just say that that's there's a
6	complexity in what you're asking because
7	primarily the wood products that we are talking
8	about are anything that are case, you know, case
9	goods, it can be, you know, cabinetry, tables,
10	things of that sort.
11	But, also, there are occasions when
12	and I will leave this to Andy Counts from the
13	Manufacturers' Association to talk more about the
14	specifics of this but also some of the parts
15	derived in motion furniture and things of that
16	sort.
17	So, it's a, it's a bit of a complex
18	question. But, it impacts let me just put it
19	this way, I think is what I'm assuming you're
20	getting to is that it impacts a number of
21	different categories of home furnishings. You
22	would be hard pressed in many stores and I

I	
1	know that Rachel Tronstein Stewart could also
2	respond to this to find elements within a
3	store that don't perhaps have a piece of an
4	imported item as part of the production process.
5	So, I wish I could give you a super-
6	specific comment there, but it does bleed over
7	into many categories.
8	MS. BONNER: Thank you.
9	MR. SCHUMACHER: Yes, ma'am.
10	CHAIR REYNOLDS: Okay. And thank you,
11	Mr. Schumacher.
12	I'm going to move on to a question I
13	have for Ms. Cindy Squires from the International
14	Wood Products Association.
15	And so you described the Voluntary
16	Partnership Agreement between Vietnam and the EU
17	and the regulations that Vietnam has taken and
18	implemented in order to implement that agreement,
19	and namely, as you know, the VNTLAS. With
20	developments, do you believe Vietnam has resolved
21	all those, all the issues involving import
22	processing and export of illegal timber?

1And, if not, could you elaborate on2what you think remains?3MS. SQUIRES: Sure. The VPA process4isn't just a very quick turn of the key and5everything's done, and you just sort of walk6away. Just like when Congress passes a law, the7agencies have to implement a regulation and then8there's this significant amount of outreach that9has to be done to the industry to make sure10everyone understands it. And, then, you know,11sometimes that's when technical problems pop up,12and that's the processing of implementing13regulations.14And so, the VPA process is very much15that kind of a thing. Where we are right now is16we have an agreement. They came to a framework.17They did a multi-stakeholder process to define18what is legal wood. They identified gaps in the19regulations.20They then implemented new regulations.21And now they're at that sort of they just, you		
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21 And now they're at that sort of they just, you	20	They then implemented new regulations.
	21	And now they're at that sort of they just, you
22 know, they promulgated those regulations, now	22	know, they promulgated those regulations, now

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they're implementing those regulations.

2 And usually around this time of the process what we will have is quite a lot of 3 4 outreach to producers of all sizes through the 5 whole supply chain because we're going to have to 6 have outreach to importers as well as the 7 manufacturers in Vietnam, as well as the 8 exporters. So, there's a lot of people to get 9 involved into that process. 10 The way the Europeans typically 11 operate the VPA process is only after they've had 12 time to do that implementation, then they conduct a pretty significant audit of that system. 13 And 14 only after all of those tests are done does a 15 FLEGT license is being allowed to be issued to 16 Europe. 17 So, it's a multi-stage process. It 18 involves a lot of outreach. I was personally 19 involved in doing some of that outreach in 20 Indonesia, for example, and I can tell you, you

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know, it's complicated. And so, we would expect

to see more of that as time goes on.

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But they, I will say this, as you look
at other countries who've gone through the VPA
process, Vietnam has proceeded very deliberately
and at a very fast pace.
Sometimes countries get real excited
and then, you know, there's a capacity building
problem, they realize they don't have what they
need to finish. Vietnam has really stayed on
track with their implementation process. It's
quite impressive.
CHAIR REYNOLDS: Okay. Thank you very
much for that.
MR. STEPHENS: Thank you. This is
Andrew Stephens from USDA again. I have another
question for Cindy Squires.
And first of all let me say thank you
for your insights that you just responded on the
EU partnership agreement. And for you and anyone
else in the hearing, if there are any further
thoughts or insights you want to share on that
for how the U.S. might have a solution that works
for the United States, please share them in the

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post-hearing briefs.

2	And, meanwhile, my question is the EU-
3	Vietnam agreement provisions on the disposition
4	of confiscated shipments of timber, it appears
5	that allows those shipments to be redirected in
6	the products destined for export to other
7	countries such as the United States. Is this
8	your understanding?
9	And, if so, what could be done to
10	prevent that outcome?
11	MS. SQUIRES: So, the way the VPA
12	process works, because it's a bilateral trade
13	agreement between the United or between the EU
14	and the VPA country, the FLEGT license process
15	only applies to the European Union.
16	However, in this particular case what
17	Vietnam has done is they have applied the same
18	procedures as Indonesia did to exports to other
19	countries. So, it will actually be the same.
20	It won't result in the certificate
21	because the EU does not want a certificate going
22	to any country other than the EU. But it does

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require that the export rules still apply. 1 2 So, there shouldn't be any difference And I've actually confirmed that in my 3 there. 4 analysis of the regulation. 5 Now, you know, we're still at early days on implementation. And so I think this kind 6 7 of technical question is a really valuable one 8 for the U.S. to ask. And I think we need to ask 9 it from the side as someone who's selling to Vietnam as well as someone who's buying from 10 11 Vietnam. And so, that's why we recommend 12 13 establishing a bilateral dialog so that we can have these kind of technical questions. And we 14 15 can also do a little bit of gathering of 16 information on those who are involved in the 17 import-export process to see how things are 18 actually happening on the ground versus what 19 might be intended. And I think if we went down that road 20 21 of having a regular bilateral conversation on this we could really tease these issues out, get 22

a lot better understanding, and just make sure 1 2 that, you know, we understand what it means, because it is very confusing when you read the 3 4 regulation, no question. 5 MR. STEPHENS: Great. Thank you. And then following up on my earlier 6 7 invitation to address in post-hearing briefs, if 8 you or anyone else wants to also reflect on what 9 have we learned from the U.S.-Peru agreement? Right? What worked well, and what didn't work 10 11 well. 12 And, also, you mentioned that it's a 13 very long process to have all the stakeholders 14 come to the table, have a common understanding, 15 and implement something. What are the 16 implications of that for the process that we're 17 looking at in this investigation? And if you 18 could address that in your post-hearing brief. 19 MS. SQUIRES: Absolutely. I'm happy to 20 do so. 21 MR. STEPHENS: Thank you. 22 MS. KENNEALLY: Hi, Ms. Squires. Ι

also have a question for you. 1 2 You mentioned the Lacey Act in your Can you again discuss how the Lacey 3 testimony. Act has been addressing this issue? 4 And do you believe that it has been 5 effective? 6 MS. SQUIRES: Sure. You know, I 7 8 explained a little bit about how the Lacey Act 9 has got really two points. It's got the prohibition and the declaration. 10 11 And I bring that up because people 12 often get quite confused and they sort of mush 13 the two together. And they really are two 14 important but distinctive parts of the law. And the Lacey Act is a very old law. 15 16 It's a very robust law. It's very flexible. It 17 also applies in the United States. 18 So, for example, the only prison 19 sentence for the Lacey Act for wood products has 20 actually been a U.S. harvest problem where we had 21 stolen wood that then was shipped across state 22 lines. So, it has a lot of flexibility in the

1 way it can be implemented.

2	There's been quite a number of
3	quite an increase in funding for Lacey Act
4	enforcement. And a lot of that has been to
5	develop sort of a bedrock of capabilities for the
6	various agencies to be able to implement it.
7	I can say from the side of the party
8	that's training people on how to comply with it
9	and then who gets the questions, you know, across
10	from the industry, you know, we feel that the
11	Lacey Act has been important in that it has put
12	an exclamation point on the need to have the due
13	diligence systems and the why.
14	And, and when we've had the
15	settlements in a number of cases that have gone
16	through, we train on those settlements and teach
17	the industry, you know, what does that mean.
18	And how do you take the concept of due
19	diligence, which is sounds really good, but
20	then trying to implement it on the ground can be
21	challenging, particularly for small to medium-
22	sized companies. And so we try to help them with

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the actual how.

2	At the end of the day it's a risk-
3	based approach when you do due diligence. And
4	the Lacey Act is a fact-based law. You either,
5	you know, it doesn't matter, you can have done
6	everything right as an importer, and if at the
7	end of the day someone slips you illegal wood
8	you're still, you know, going to be held
9	accountable under the law. And so, it can be
10	quite severe.
11	So, from that perspective it's pretty
12	tough. So, I think it's, you know, it's still a
13	work in progress. You know, we still would like
14	to have dialog.
15	I'm making sure that we're training
16	the industry, not only U.S. industry but
17	industries abroad so that they understand it.
18	But, you know, it's definitely more robust than
19	nearly any other law out there.
20	So, I think, you know, we have great
21	tools in our toolchest and we'll be able to
22	handle this issue.

1	MS. KENNEALLY: Thank you.
2	CHAIR REYNOLDS: All right. Thank you
3	for answering our questions, Cindy.
4	I'm going to now ask a question of
5	Rachel Stewart from Gardner-White Furniture. And
6	I'll give you a second to join.
7	MS. STEWART: Here we are.
8	CHAIR REYNOLDS: Hi.
9	MS. STEWART: Hi.
10	CHAIR REYNOLDS: Rachel, you stated
11	that Gardner-White works with vendor partners who
12	either import timber from the United States and
13	Canada or from brokers and importers who meet all
14	the legal criteria. Could you explain what legal
15	criteria your brokers and importers follow and
16	how they address illegal timber concerns?
17	MS. STEWART: Now I've spoken with all
18	of our major, all of our vendor partners who
19	manufacture in Vietnam. And I think the most
20	important thing is that none of them are actually
21	purchasing Vietnamese timber to start with. The
22	vast majority is coming from the U.S. In other

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cases, it's coming from Malaysia or other Asian countries, but none from Vietnam. And that's purely a function of economics. It's too 4 expensive. However, there hasn't been a certification process because there hasn't needed to be. 6 As Mark alluded to, we work closely

8 with our vendor partners and have been in most of 9 the major manufacturing facilities that we buy out of throughout all of Asia. So, we're quite 10 comfortable that they are complying with local 11 12 law.

13 And I also wanted to just point out, 14 you know, the furniture industry is very different than, let's say, the fashion industry. 15 16 We are looking at, when we bring out a product, 17 we are looking to have it for a few years. We're 18 looking, on the short end, let's say a year; on 19 the top end, more than six. So, we're very much 20 interested that the products that we bring on are 21 sustainable in the sense of the supply is reliable and safe because, if not, we will have 22

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to drop the product. We have to bring in new 1 2 floor samples if something is, if a main component is changed out. 3 So, we're very 4 concerned in that sense because it's just too 5 expensive to be turning floor samples in a way that it isn't in other industries. 6 7 CHAIR REYNOLDS: Thank you for that, 8 Rachel. 9 MS. STEWART: Mm-hmm. I have another question 10 MR. WILBUR: 11 for Rachel Stewart from Gardner-White Furniture. 12 You stated that these production 13 facilities and their supply chains are relatively 14 sophisticated in terms of their sourcing. Can 15 you tell me what makes these facilities and their 16 supply chains relatively sophisticated in your 17 view? Do these processes or methods, are they 18 sophisticated enough to really address illegal 19 timber concerns? 20 Thank you. 21 MS. STEWART: I don't want to pretend 22 to be the expert on the sourcing of raw

So, I won't speak to that. 1 materials. But 2 they're sophisticated in the sense of having traveled throughout many of the facilities 3 throughout Asia and Vietnam and elsewhere. 4 5 They're highly mechanized. They're more processoriented, and they're more developed in the sense 6 7 of they are in industrial parks, where there's an 8 ecosystem of manufacturing and there's best 9 practices to draw upon in a way that, when you go to some other factories, that is very much not 10 11 the case. 12 MR. WILBUR: Thank you. 13 CHAIR REYNOLDS: All right. Thank you, Rachel. 14 I have another question for Andrew 15 16 Counts. And so, you are good to go. 17 So, Mr. Counts from the American Home 18 Furnishings Alliance. So, other adhering to 19 Lacey Act requirements, what other efforts have 20 your members undertaken to ensure the responsible 21 sourcing within their supply chain? And do any 22 of these efforts identify timber from high-risk

countries rather than just high-risk species? 1 2 MR. COUNTS: Thanks for the question, Kimberly. 3 4 We, as an association, try to Yes. 5 educate our members on the importance of doing due diligence, developing a detailed compliance 6 program when you're dealing with the imported 7 8 furniture products. It's important that you use 9 the Environmental Education Agency or the Red List to make sure that the countries that your 10 11 suppliers are sourcing timber from are not on 12 those lists, are not being targeted. That's 13 critical, and our members try to include that in 14 their compliance programs that they develop individually. 15 16 CHAIR REYNOLDS: Okay. Thank you. 17 MR. COUNTS: Yes, ma'am. 18 MS. KENNEALLY: Hi, Mr. Counts. Ι 19 also have a question. 20 My colleague at USDA brought this up 21 a little earlier, but could you tell us what are 22 the primary types of wood products your members

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would be importing?

2	MR. COUNTS: Well, as Mark had
3	answered earlier, it's across the board. It's
4	bedroom, dining room, occasional, anything that
5	the marketplace demands that's made out of wood.
6	That's what we're bringing in as an industry.
7	I'm happy to provide a more detailed analysis
8	breakdown of percentages, especially from
9	Vietnam, in some followup comments.
10	MS. KENNEALLY: That would be great.
11	Thank you.
12	CHAIR REYNOLDS: And I believe SBA had
13	one question.
14	MS. BONNER: Thank you. Thanks, Kim.
15	I have a question for Neil Mooney.
16	I'm not sure if my video is working,
17	though.
18	MS. KENNEALLY: Your video is working.
19	And it looks like, I believe, yes, Shannon Liang
20	has
21	MS. LIANG: Yes, I can respond for Mr.
22	Mooney.

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1	MS. BONNER: Thank you. I can now
2	see. Thank you. Thank you, Shannon.
3	You mentioned that your suppliers have
4	implemented a tracking system which allows them
5	to pinpoint exactly which ocean container has
6	which lot of imported timber. Could you explain
7	that process, sharing more details?
8	MS. LIANG: I wish I can. So, I'll
9	try my best.
10	So, this is where I have a number of
11	clients. So, they have paper trails from the
12	harvest permitting permits to the shipping
13	documents, import documents, contract, purchase
14	order for the shipment from, say, Russia. They
15	already import from Russia, Russia to a vendor.
16	And then, they also have local rubberwoods,
17	Vietnamese rubberwoods. And they can pinpoint by
18	all of each shipment's documents, and then, link
19	it to the export container.
20	MS. BONNER: Okay. Thank you.
21	MS. LIANG: Thank you.
22	CHAIR REYNOLDS: Thank you, and

1	thanks, everyone, for answering those questions.
2	And I just want to pause to see if any
3	of the 301 Committee has any additional questions
4	for this panel.
5	Okay. Seeing and hearing no further
6	questions, we are going to just pause for a
7	moment while we assemble our next panel.
8	So, again, thank you to everyone who
9	provided testimony. We really appreciate you
10	being here.
11	And we'll pause for just a moment
12	while we assemble our fourth panel. Thanks.
13	Okay. So, we are now ready to proceed
14	with our fourth panel.
15	And so, Ms. Tarnowka sorry if I
16	pronounced your name wrong there Tarnowka, if
17	you want to proceed with your testimony, that
18	would be great.
19	MS. TARNOWKA: Great. Thank you.
20	Can you hear me now?
21	CHAIR REYNOLDS: We're hearing you.
22	MS. TARNOWKA: Great.

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1	This year the United States and
2	Vietnam celebrated 25 years of diplomatic
3	relations. During this period, the two countries
4	have significantly strengthened their security,
5	economic, and people-to-people ties. The
6	relationship is based on shared strategic
7	interests, candid dialog, and mutual respect.
8	It is a credit to the Vietnamese and
9	American people that we have been able to move
10	beyond the tragedies of our shared past to build
11	such a vibrant and strong friendship and
12	comprehensive bilateral partnership. Trade and
13	investment are intertwined cornerstones of the
14	U.SVietnam relationship. From this perspective,
15	we thank USTR for the opportunity to highlight
16	AmCham's concerns about the investigation and
17	potential imposition of tariffs on imported goods
18	from Vietnam in connection with the alleged
19	import and use of illegal timber.
20	AmCham believes that the United States
21	and Vietnam have developed a healthy trade and
22	investment relationship that has not only created

jobs and prosperity for both countries, but has 1 2 also enhanced regional security. The United States is Vietnam's largest export market. 3 Vietnam has emerged as a key partner in the Indo-4 5 Pacific Region in achieving this Administration's stated goals and enhancing trade ties and 6 7 mitigating supply chain risks, as companies 8 diversify their supply chains away from China. 9 Vietnam has become one of America's 10 fastest-growing export markets, and we expect 11 this positive trend to continue, as Vietnam's 12 economy and middle class continue to grow. There 13 are significant opportunities for U.S. 14 agriculture, aircraft, energy, health care, and many other sectors, which are helping to create 15 16 wealth and jobs in America's heartland. 17 The Vietnamese Government has 18 expressed a clear desire to increase imports from 19 the United States. Billions of dollars in deals 20 are underway for U.S. exports of aircraft, jet 21 engines and LNG. 22 The Vietnamese Government and the

furniture industry in Vietnam have made 1 2 significant improvements in forest management and timber sourcing in recent years through 3 strengthened regulations, administration and 4 5 enforcement, and sustainable commercial The government continues to take 6 practices. 7 actions to strengthen its oversight, including promulgating a decree establishing a new Vietnam 8 9 Timber Legality Assurance System on October 30th. This system confirms the legality of timber used 10 11 in each stage of the supply chain by regulating 12 both timber products and market actors; enabling the use of criminal sanctions against corporate 13 14 entities that violate timber management laws. To the extent any illegal timber is 15 16 imported or used in Vietnam, it's highly unlikely 17 that such timber is exported to the United

18 States. The CITES species alleged to be imported 19 are all high-value varieties of rosewood which 20 were used traditionally in temples or in homes of 21 wealthy Vietnamese. Furniture exports to the 22 United States use other species, such as walnut,

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3	furniture.
4	Furthermore, furniture manufacturers
5	in Vietnam are now required to meet increasingly
6	stringent global ESG criteria to access export
7	markets and international financing. Big box
8	retailers actively monitor compliance.
9	The U.SVietnam timber and furniture
10	trade is important to both countries. Vietnam
11	was the seventh largest agricultural export
12	market for the United States with \$4 billion in
13	exports in 2019. The United States is the
14	largest supplier of imported timber to Vietnam.
15	Vietnam is the No. 2 destination for U.S. wood
16	exports with \$350 million of exports in 2019.
17	U.S. design, intellectual property, coating, and
18	parts are also critical imports to the Vietnamese
19	furniture manufacturing industry.
20	Meanwhile, U.S. furniture businesses
21	and retailers are major customers for Vietnam,
22	contributing to jobs, tax revenues, and

cherry, maple, or oak in higher-priced furniture or pine, poplar, and veneers in lower-priced furniture. prosperity in both countries. Vietnam itself is expected to become one of the largest furniture markets in the world as its middle class continues to grow. Much of this furniture will be manufactured with materials originating in the United States from sustainable forests.

7 Any alleged import into or use of 8 illegal timber in Vietnam appears to be minimal. 9 Both the Vietnamese Government and the furniture industry have taken active measures to prevent 10 11 the import and use of illegal timber. In 12 addition, it's highly unlikely that any such 13 timber would find its way into furniture products 14 exported to the U.S. due to consumer preferences, legal restrictions, and exporting companies' 15 16 corporate compliance requirements.

17 Thank you for providing this 18 opportunity to express our concerns. AmCham 19 urges USTR to avoid imposition of retaliatory 20 measures. Instead, we encourage USTR to continue 21 to seek ways to decrease barriers to trade and 22 investment and strengthen our bilateral economic

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partnership, contributing to prosperity in both 1 2 the United States and Vietnam. Thank you. CHAIR REYNOLDS: And thank you for 3 4 your testimony, Ms. Tarnowka. 5 And so now, I'd like to invite Mr. David French from the National Retail Federation 6 7 to present his testimony. 8 Thank you. Can you hear MR. FRENCH: 9 me? 10 CHAIR REYNOLDS: I can hear you. Ι 11 cannot see you, though. 12 Okay. Okay. Thank you MR. FRENCH: 13 very much. 14 Good afternoon. My name is David French, and I'm Senior Vice President of 15 Government Relations for the National Retail 16 17 Federation. 18 On behalf of the retail industry, 19 thank you for the opportunity to testify today 20 regarding practices related to the import and use 21 of illegal timber in Vietnam. We applaud the Administration for continuing to look at the 22

issue of trade in illegal timber to ensure that
 our trading partners are living up to their
 international commitments.

However, we do not believe action
against Vietnam or other trading partners
regarding the use of illegal timber should be
taking by USTR under a Section 301 investigation.
Most importantly, we do not think USTR should
consider using tariffs as a tool to address this
investigation.

NRF's members have long engaged in efforts to ensure responsible sourcing and environmental management within their supply chains. Part of these efforts includes implementation of the 2008 amendments to the Lacey Act to prohibit trade in products containing illegally harvested wood.

We work collectively with other
industry groups, NGOs, and key government
agencies to develop a robust implementation plan
for the Lacey Act enforcement and continue to
work on implementation issues today. It is

important to highlight for the Committee the steps that retailers take to ensure responsible sourcing within their supply chains, as well as the compliance with the Lacey Act. These steps include some of the following examples provided by NRF members.

7 One member noted, for example, that 8 they have a standard operating procedure that 9 outlines how they manage the process related to semiannual wood risk assessments. 10 It's a kev 11 component of their Lacey Act compliance program. 12 Twice a year they pull all SKUs and review the 13 genus, species, and country of harvest. Any 14 products that are identified as potentially high risk are flagged in the review and corrective 15 16 actions are put in place. By pulling this data, 17 for example, they were able to confirm that their 18 vendors in Vietnam are not using wood from 19 Cambodia or other unauthorized locations. Another member noted that their 20 21 suppliers are required to complete their Lacey

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The information provided by the

Act questions.

supplier is used to populate the Lacey Act form. 1 2 The declaration must contain the scientific name of the plant, value of the importation, quantity 3 of the plant, and the name of the country from 4 which the plant was harvested. In certain 5 circumstances, they will gather additional 6 7 supporting documentation, including supplier 8 certifications. In addition, all suppliers must 9 submit the supplier certification of Lacey Act compliance at the time of production or annual 10 11 testing.

12 Another member noted that the Lacey 13 Act is in place to protect against illegal 14 importation of endangered species. During product development, they identify the specie of 15 16 wood to be used through their sourcing system, in 17 conjunction with their import broker. Vendors 18 must identify the items covered under the 19 program, document the information on the specie 20 of wood, origin of the lumber, and quantity It becomes a part of the 21 issues to each item. 22 compliance documentation and the paperwork for

the purchase and import into the United States. 1 2 U.S. trade with Vietnam has grown significantly over the past several years, as a 3 direct consequence of the ongoing trade dispute 4 with China. Companies have shifted their supply 5 chains out of China to Vietnam and other 6 7 countries because of the Administration's application of Section 301 tariffs. 8 In fact, the 9 Administration publicly encouraged companies to shift sourcing out of China, and many retailers 10 responded by moving production as a result. 11 12 NRF members are extremely concerned 13 about the potential for tariffs being now placed 14 on Vietnam as the result of this investigation. 15 Tariffs are taxes that are paid by U.S. 16 businesses. As companies continue to recover 17 from the ongoing economic damage of the 18 coronavirus pandemic, new tariffs on imports from 19 Vietnam will further harm these U.S. companies and will result in higher costs for their 20 21 consumers, many of whom themselves are recovering 22 as well.

1	NRF recently commissioned a study to
2	estimate the potential impacts on the U.S.
3	economy of four potential tariff options applied
4	to all goods imported into the United States from
5	Vietnam. The study also took a closer look at
6	the potential impacts of these tariffs on the
7	apparel/footwear trade, given Vietnam's
8	importance as a supplier to the United States of
9	those products. The analysis considers the
10	potential shifts that would occur from Vietnam to
11	other sources of supply, including the United
12	States and China, were the United States to
13	impose tariffs on imports from Vietnam.
14	In summary, we find that the proposed
15	tariffs would increase costs to consumers at a
16	particularly challenging time, even after
17	retailers attempt to adjust by changing sourcing
18	yet again. Consumers would pay as much as \$11
19	billion more for goods ordered from Vietnam.
20	Apparel and footwear would be especially hard
21	hit, as tariffs on these items from Vietnam would
22	add to the high duties American consumers already

pay for these goods. Notably, the tariffs on 1 2 imports from Vietnam would shift some trade back to China, even with the tariffs of equal size 3 4 imposed on imports from that source. We are 5 concerned that Vietnam may retaliate against U.S. 6 exports. 7 Thank you for the opportunity to 8 testify today. 9 CHAIR REYNOLDS: And thank you for 10 your testimony, Mr. French. I would now like to invite Blake 11 12 Harden from the Retail Industry Leaders 13 Association. 14 Thank you. Can you hear MS. HARDEN: 15 me? 16 CHAIR REYNOLDS: We can hear you and 17 see you just fine. 18 MS. HARDEN: Great. Thank you. 19 Good afternoon. On behalf of the 20 Retail Industry Leaders Association, thank you 21 for the opportunity to provide the retail 22 industry's perspective on the Administration's

Section 301 investigation into Vietnam's timber
 practices.

My name is Blake Harden. 3 I serve as Vice President for International Trade at RILA. 4 5 RILA represents the largest and most innovative retail companies, accounting for more than \$1.5 6 trillion in annual sales and millions of American 7 8 jobs. 9 RILA agrees that U.S. trading partners should abide by U.S. and global trade rules. 10 We 11 support using targeted trade tools to remedy 12 unfair or discriminatory practices that create an 13 unlevel playing field for American businesses and 14 workers, and we want to partner with the 15 Administration to hold U.S. trading partners 16 accountable.

However, we cannot support nontargeted actions that unfairly tax American businesses and families and have no relation to the problem of illegal logging. Adding financial strain during an ongoing pandemic and economic recession will slow our recovery.

1	American businesses and families have
2	been assessed more than \$72 billion in additional
3	tariffs on products since the China 301 tariffs
4	were put in place. These tariffs have resulted
5	in less money in the pockets of American
6	families, a slowdown in U.S. manufacturing, and
7	decreased competitiveness for American businesses
8	vis-a-vis their European and Asian counterparts.
9	The evidence is clear. Tariffs on imports have
10	failed to increase domestic sourcing.
11	The global economy faces enormous
12	uncertainty right now. According to the OECD,
13	experience shows that companies can best weather
14	this uncertainty by investing in fewer longer-
15	term relationships. U.S. retailers have built
16	many such relationships out of China, where
17	possible, including in Vietnam. Our members
18	leverage existing relationships in Vietnam built
19	on the country's intrinsic strengths.
20	Vietnam is unique. It has the
21	production capacity; a stable, abundant, and
22	skilled labor force; logistics capabilities, and

the good infrastructure needed to meet the high
 standards of our members.

Our members source a variety of goods, including apparel, footwear, electronics, home goods, furniture, power tools, decorative and holiday, luggage and toys from trusted partners in Vietnam who meet our members' rigorous quality and safety standards.

9 Placing a tax on these imports now, 10 especially when they have no relation to alleged 11 violations of the Lacey Act would create 12 tremendous uncertainty for U.S. retailers and 13 unfairly punish them for moving away from China. 14 It would also leave limited options for sourcing, including possible reshoring of production back 15 16 to China.

17 Vietnam is also a major export market
18 because job-creating textile, chemical, hardwood,
19 and agricultural products, and imports of raw
20 materials from Vietnam are critical inputs used
21 by U.S. manufacturers of finished goods.
22 According to the USITC, U.S. textile and apparel

exports to Vietnam increased by \$97 million from 2015 to 2019. And during that same time, U.S. footwear exports to Vietnam increased by \$170 million.

5 These American exports, along with key U.S. agricultural exports, will surely be subject 6 7 to retaliatory tariffs if the Administration 8 imposes tariffs on Vietnamese products. Further, 9 tariffs on goods from Vietnam will harm the ability of U.S. retailers to compete globally. 10 As this Administration considers whether to 11 impose tariffs, our competitors in countries such 12 as the European Union and Canada will lower their 13 tariffs and remove trade barriers with Vietnam 14 15 through free trade agreements and trade 16 preference programs.

17 Simply put, tariffs are not the 18 answer. Tariffs will not resolve concerns with 19 Vietnam's timber practices, and, in fact, would 20 do greater harm to its economic interests and 21 cause serious disruptions to the American 22 economy. Higher tariffs mean higher costs to

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U.S. businesses, and, in turn, higher prices for American families, who are already facing a cash crunch because of the pandemic and economic recession. There is no good time for increased tariffs, but now is certainly not the time to add financial strain on those already struggling.

7 As USTR considers what, if any, actions should be taken in this investigation, we 8 9 urge it to leverage the Lacey Act to address concerns with timber practices, including those 10 11 set forth in the Federal Register notice that 12 launched this investigation. Our members make 13 Lacey Act declarations routinely on imports, and 14 it's a proven tool to ensure products made with illegally harvested or traded plant species do 15 16 not enter the United States.

We urge USTR to work with USDA to consider a long-term action plan to enforce the Lacey Act for violative products from Vietnam, including by building on actions by Vietnamese customs to deter the trans-shipment of Chinese goods subject to the existing Section 301

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tariffs.

2	In addition, we urge USTR to engage in
3	bilateral negotiations with Vietnam to address
4	practices, if they exist, that cannot be
5	appropriately remedied through Lacey. Such
6	negotiations could lead to the establishment of a
7	protocol to update the 2007 Trade and Investment
8	Framework Agreement between the United States and
9	Vietnam.
10	Lastly, a word about process. It is
11	imperative that USTR conduct this investigation
12	in a fair, thorough, and transparent manner that
13	carefully considers the novel issue before it and
14	all potential implications of any actions taken,
15	including the collateral damage that could be
16	caused to U.S. retailers and American families if
17	tariffs are imposed. This process must not be
18	rushed. To do so risks the credibility of the
19	investigation and its findings and, more broadly,
20	USTR Section 301 authority.
21	Further, if the Administration moves
22	to impose tariffs on Vietnam because of this

investigation, it should provide a public comment 1 2 period and a hearing on any proposed tariff list before it takes effect. This would improve 3 4 transparency and prevent unintended consequences on families, businesses, and our overall economy. 5 Thank you for your consideration of 6 7 our views. I'm happy to answer any questions. 8 CHAIR REYNOLDS: And thank you, Ms. 9 Harden, for your testimony. I'd like to invite Beth Hughes from 10 11 the American Apparel and Footwear Association to 12 present testimony now. 13 MS. HUGHES: Okay. Can you see and 14 hear me? I can see and hear 15 CHAIR REYNOLDS: 16 you, yes. 17 MS. HUGHES: Okay. Thank you. 18 Thank you so much for this opportunity 19 to testify today. My name is Beth Hughes, and I am the Vice President for Trade and Customs 20 Policy at the American Apparel and Footwear 21 22 Association. Thank you so much for this

opportunity to testify regarding this
 investigation today.

AFA is the trusted public policy and
political voice of the apparel and footwear
industry, its management and shareholders, its
nearly 4 million U.S. workers, and its
contribution of more than \$400 billion in annual
U.S. retail sales.

9 AAFA agrees that our trading partners 10 must abide by global trade rules, and we support 11 the Administration's efforts to address unfair 12 trading practices. However, we oppose any 13 countermeasures that would lead to the imposition 14 of new tariffs on Vietnam, a possibility for imposition of new punitive duties on U.S. imports 15 16 from Vietnam, or cause further supply chain 17 disruption during the COVID-19 pandemic.

18 Vietnam is the second largest supplier
19 of apparel, footwear, and travel goods to the
20 U.S. market and has experienced dramatic growth
21 since 2016. For instance, U.S. imports of
22 apparel from Vietnam represent 16.5 percent of

1	total U.S. apparel imported from January through
2	October 2020. There is a similar story for
3	footwear, where 24.4 percent of all U.S. footwear
4	imports come from Vietnam during that same time
5	period.
6	Vietnam has become even more important
7	as U.S. companies have implemented
8	diversification strategies away from China.
9	Imposing new punitive tariffs on imports from
10	Vietnam could cause extreme disruption, directly
11	threatening those investments and increasing
12	prices for hardworking American families at the
13	register or costs on the supply chains that
14	directly support millions of U.S. jobs.
15	Furthermore, Vietnam has become an
16	important supplier of personal protective
17	equipment, or PPE, and more tariffs on PPE will
18	make it more difficult to ensure that lifesaving
19	PPE quickly gets into the hands of patients and
20	medical professionals who desperately need these
21	items, as well as to the general public to stop
22	the spread of COVID-19.

1	It is for these reasons that we				
2	believe that U.S. commerce for our industry is				
3	not burdened or restricted by the import or use				
4	of illegal timber. Our industry already faces				
5	high tariffs. The United States imposes a high				
6	tariff burden on imports of apparel, footwear,				
7	and travel goods to the United States. Although				
8	the average trade-weighted tariff rate imposed on				
9	all products is approximately 2.8 percent in				
10	2019, which is itself a problematic increase from				
11	a 1.9 percent rate in 2018 and 1.4 percent rate				
12	in 2017, the average trade-weighted tariff rate				
13	in 2019 on net apparel was 15.1 percent; on woven				
14	apparel it's 13.9 percent, and on footwear it's				
15	12.2 percent. Each of those rates also				
16	represents significant increases over previous				
17	years. Moreover, the amount of tariffs collected				
18	on imports of U.S. apparel, footwear, textiles,				
19	and travel goods in 2019 exceeded \$20.5 billion,				
20	which is a new record.				
21	This burden falls disproportionately				
22	on products imported by our industry, even though				

many of these products are no longer made in 1 2 commercial quantities in the United States. In 2019, our industry represented approximately 6 3 percent of all U.S. imports by value; yet, 4 generated more than 29 percent of the duties 5 collected by U.S. Customs and Border Protection. 6 Therefore, we do not believe the 7 8 determinations required under Section 304 of the 9 Trade Act should include imposition of new punitive duties on those imports from Vietnam 10 11 which will tax American consumers and American 12 workers, including the nearly 4 million American 13 workers employed by our industry, during these 14 challenging times. AAFA members and their companies have 15 16 cited concerns, primarily due to the price increases and uncertainties because of all the 17 18 tariff actions against China and Europe 19 previously. While we understand the 20 Administration is trying to remedy harmful 21 foreign trade practices through these actions, 22 their primary effect so far has been to inject

more costs and unpredictability into our members' supply chains.

Exacerbating this situation is imposition of tariffs on raw materials and imports used in the U.S. manufacture of finished goods. These tariffs increase the product cost in the United States, harming the ability of domestic manufacturers to compete both at home and abroad.

To do our part during the pandemic, 10 11 AAFA members have transitioned to making PPE, 12 particularly face masks or gowns, for first responders and the American public. Our members 13 14 have met this critical need, in part, through our critical partnership with suppliers in Vietnam, a 15 16 partnership that would be threatened by the 17 imposition of further tariffs.

Another important point is our industry has worked to promote sustainability and the environment. Our industry is working to protect forests and programs like CanopyStyle, which protects forests from being used in the

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manufacture of dissolving pulp to produce fabrics
 such as rayon. Many of my members support
 programs like this one.

If USTR determines that Vietnam is 4 5 involved in the use and import of illegal timber, we urge USTR to work with the U.S. Department of 6 7 Agriculture, under the Lacey Act or the existing 8 framework under the U.S.-Vietnam Trade and 9 Investment Framework Agreement, to take a different approach by means of bilateral 10 11 negotiations with Vietnam to resolve this issue. 12 Thank you for this opportunity to 13 testify today on this very important issue. 14 CHAIR REYNOLDS: Thank you for your testimony, Ms. Hughes. 15 16 And now, I would like to invite Nate Herman from the Travel Goods Association to 17 18 present his testimony. 19 MR. HERMAN: Okay. Can you see and 20 hear me? CHAIR REYNOLDS: I can see and hear 21 22 you, yes.

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1	MR. HERMAN: Thank you.
2	Thank you for the opportunity to
3	testify. My name is Nate Herman. I'm the
4	Director of Government Relations at the Travel
5	Goods Association.
6	TGA represents the U.S. travel goods
7	industry, small, mostly family-owned businesses
8	who make, market, and sell travel goods
9	luggage, totes, backpacks, handbags, and other
10	products for people who travel.
11	First, I want to address why we are
12	here. The United States already has a ban on
13	trade in illegal timber, the Lacey Act.
14	Violations of the Lacey Act such as those alleged
15	in this investigation is subject to both criminal
16	and civil sanctions, which are enforced by the
17	U.S. Government's own experts in illegal timber.
18	Further, the Lacey Act requires declarations to
19	the source of the wood in wood products to help
20	the U.S. Government to identify imports made with
21	illegal timber. As such, the Lacey Act appears
22	to be a much more effective tool in addressing

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and remedying allegations of illegal timber than the Section 301 statute.

Instead, we are discussing allegations 3 of illegal timber in a Section 301 investigation. 4 Under this investigation, I can certify that U.S. 5 commerce for our industry is not burdened or 6 7 restricted in any way the alleged import or use 8 of illegal timber. But the punitive tariffs that 9 could result from this investigation could be devastating for our industry. 10

11 Vietnam is the second largest Why? 12 supplier of travel goods to the U.S. market and 13 has experienced dramatic growth since 2015. In 14 fact, U.S. imports of travel goods from Vietnam grew 13.1 percent in the first 10 months of 2020, 15 16 despite overall U.S. travel goods imports being 17 down by almost a quarter during the same period. 18 As a result, U.S. travel goods imports from 19 Vietnam now account for 19.1 percent of all U.S. 20 travel goods imports, up from a mere 4.9 percent 21 of all U.S. travel goods imports in 2016. Please note that 99 percent of all travel goods sold in 22

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the United States today are imported.

2	Vietnam has become even more important
3	as U.S. companies have tried to move away from
4	China. In fact, thanks, in part, to our
5	relationship with Vietnam, the share of U.S.
6	travel goods imports from China fell from 84.7
7	percent in 2016 to 57.9 percent today, with U.S.
8	travel goods imports from China falling by over
9	one-third in the first 10 months of this year
10	alone.
11	The imposition of punitive tariffs by
12	the U.S. Government under various trade measures
13	over the last few years have caused great concern
14	for our members. Since 2017, the Trump
15	Administration has collected more than \$80
16	billion in punitive tariffs. Many of these
17	tariffs have been imposed on U.S. imports of
18	travel goods from China, where all U.S. travel
19	goods imports face a 25 percent punitive tariff,
20	amounting to millions of dollars in new taxes on
21	our industry.
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While we understand the Administration

is trying to fix harmful foreign trade practices through these actions, their primary effect has been to hurt our industry, increasing prices for hardworking American families at the register and imposing significant costs on our supply chains, which directly support 100,000 American jobs.

Further, over the last year, our 7 industry, the travel goods industry, has faced 8 9 the perfect storm, as the pandemic has not only tanked sales, but has also brought travel to a 10 11 standstill. The bottom line is that new punitive 12 tariffs imposed on U.S. travel goods imports from Vietnam would hurt the U.S. travel goods industry 13 14 and our 100,000 American workers at a time when we can least afford it. 15

16 Therefore, if USTR determines that 17 Vietnam is involved in the use and import of 18 illegal timber, we urge USTR to work with the 19 Department of Agriculture to enforce the Lacey 20 Act. If, for some reason, the Lacey Act is 21 somehow deemed insufficient, we urge USTR to use 22 the existing framework under the U.S.-Vietnam

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Trade and Investment Framework Agreement to take 1 2 a different approach by means of bilateral negotiations with Vietnam to resolve this issue. 3 Thank you again for the opportunity to 4 5 testify on this very important issue. And thank you, Mr. 6 CHAIR REYNOLDS: Herman, for your testimony. 7 So now, I am going to open it up to 8 9 questions, and I believe that Treasury has it. Hi. 10 MR. YAM: Yes. I have a question for Mary Tarnowka of the American Chamber of 11 12 Commerce in Vietnam. You mentioned the importance of global 13 14 environmental, social, and governance criteria required by international financiers and 15 16 customers. Could you describe that in more 17 detail and the extent to which they go beyond or 18 complement Vietnam's laws and regulations? 19 MS. TARNOWKA: Yes. Happy to share on 20 that. 21 So, for many corporations that are 22 supplying to global suppliers, they are needing

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1	to meet the global standards, which may be higher
2	than Vietnam's. Also, many companies here are
3	trying to access international financing. And
4	so, again, they have to meet higher standards.
5	So, I think what we hear, talking to
6	the companies, is there are multiple layers of
7	standards. There's the Vietnamese laws and,
8	then, there's all the requirements that they have
9	to be able to meet export conditions,
10	particularly for the U.S. and Europe.
11	MR. YAM: Thank you.
12	MS. KENNEALLY: Hi. I also have a
13	question for AmCham.
14	In your view, do no or minimal
15	Vietnamese wood product exports go to the United
16	States containing illegal timber? Or is your
17	view that Vietnam does not import, process, or
18	export illegal timber at all?
19	MS. TARNOWKA: So, in our view, from
20	what we know, Vietnam has significantly decreased
21	what was at least previously some illegal import
22	and use of illegal timber. That has been a

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significant decrease.

2	What does exist is highly unlikely to				
3	find its way into U.S. exports because the kind				
4	of wood that is illegal under CITES is very				
5	expensive rosewood. It is not something that is				
6	used in the furniture which is going to the				
7	United States. So, there are a number of reasons				
8	why it wouldn't make it there. And that's why I				
9	was noting, it's consumer preferences. It's all				
10	the corporate compliance procedures, as well as				
11	the Vietnamese Government, which has really				
12	cracked down on this.				
13	So, I am not saying that there is				
14	absolutely no import of illegal timber taking				
15	place here in Vietnam, but I think it's highly				
16	unlikely that it is making it into exports to the				
17	United States.				
18	MS. KENNEALLY: Thank you.				
19	CHAIR REYNOLDS: All right. Thank				
20	you, Mary.				
21	I'm going to move on to a question I				
22	have, actually, for David French from the				

1 National Retail Federation.

2	And, Mr. French, in your submission,
3	you emphasize the Lacey Act and its separation
4	requirements. Is it your view that Vietnam does
5	not import, process, or export illegal timber or
6	just that the Lacey Act prevents such products
7	from being exported into the United States?
8	MR. FRENCH: It's our view that the
9	Lacey Act, combined with the procedures and
10	policies of our member companies, is a sufficient
11	barrier to the importation into the United States
12	of illegal products. And if it could be
13	enhanced, we could use the resources of the U.S.
14	Government to help us to better identify the
15	countries and sources of illegal product in the
16	supply chain. But there's a substantial amount
17	of I'm trying to think of the right word
18	there are a number of layers of
19	compliance/procedures that are put in place, and
20	the Lacey Act is a sufficiently rigorous
21	compliance tool.
22	CHAIR REYNOLDS: Thank you.

1	MR. WILBUR: Hi. This is Carter
2	Wilbur from State Department. A question also
3	for David French from the National Retail
4	Federation.
5	To comply with the Lacey Act, you
6	talked about your robust implementation plans and
7	your members' review and corrective actions to
8	identify products as high risk. Could you define
9	what triggers that high-risk designation and the
10	implementation plans, and what additional due
11	diligence that that would entail?
12	MR. FRENCH: So, our members will
13	evaluate, routinely evaluate, the products being
14	imported, the species of wood, as well as the
15	countries that are imported from, and they look
16	for patterns that would indicate it is
17	potentially a higher-risk product.
18	This is where something more targeted
19	and more effective than a broad-based tariff
20	would be a helpful tool, is enhancing the ability
21	of supply chains to identify the countries that
22	are the highest risk for these products.

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1	But the Lacey Act combined with other					
2	tools are, in our view, sufficient and would not					
3	be enhanced by use of broad-based tariffs.					
4	MR. YAM: Hi there. This is Albert					
5	Yam from the Treasury Department again with a					
6	question for Brake Harden of the Retail Industry					
7	Leaders Association.					
8	Could you please elaborate on your					
9	view of why a Section 301 determination could					
10	jeopardize Vietnam as a market for American					
11	exports?					
12	MS. HARDEN: Sure. Thank you for the					
13	question.					
14	I think my point was simply that it's					
15	not the investigation itself that could					
16	jeopardize U.S. exports. My point was that,					
17	depending on the action taken so, if the					
18	Administration goes through the rigorous					
19	investigation and finds that there are timber					
20	practices that need to be addressed, my point is					
21	simply that we believe imposing tariffs will					
22	invite retaliatory tariffs from Vietnam, and that					

this would have necessarily a negative result on 1 2 American exports to Vietnam. And so, what we're urging is consideration of all the potential 3 implications and consideration of other actions, 4 instead of tariffs, to avoid that result. 5 Hi, Ms. Harden. 6 CHAIR REYNOLDS: Ι 7 have, actually, one follow-up question for you. So, you mentioned the measures that 8 9 your members take in connection with Lacey Act compliance. Would you describe how your 10 11 experience -- or sorry -- how in the experience 12 of your members those measures have ensured that 13 illegally harvested or traded timber species do 14 not enter the United States? Sure. And I think Mr. 15 MS. HARDEN: 16 French described some of the similar practices 17 that our members have. Certainly, robust due 18 diligence measures, and we're happy to provide 19 additional information in our post-hearing comments about them, since they do vary from 20 company to company. 21 22 But, from our members' perspective,

they do routinely make declarations for products 1 2 that are subject to the Lacey Act and report that they're not hearing from APHIS or CBP regarding 3 any concerns with products from Vietnam. 4 And so, 5 frankly, that's a question we continue to get, as this investigation was announced, as to why 6 7 they're not hearing from the Administration or 8 from these particular agencies about particular 9 products of concern. And so, from their perspective, they believe they are taking all the 10 necessary steps to ensure that their supply 11 12 chains include only compliant products. 13 And I think, you know, another open 14 question that we have received from members as 15 well is, if they are in compliance with Lacey Act 16 for products, but tariffs were imposed, I guess, 17 would member companies that are compliant with 18 the Lacey Act be excepted from tariffs? And so,

19 I think there's just a lot of questions about, if 20 members are actually in compliance with the Lacey 21 Act, how does that fit into the investigation and 22 the potential actions that may come out of it?

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1	CHAIR REYNOLDS: All right. Thank you				
2	for your response.				
3	MS. KENNEALLY: Hi. I have a question				
4	for Ms. Hughes from the American Apparel and				
5	Footwear Association.				
6	Ms. Hughes, you indicated that U.S.				
7	commerce, in your view, is not burdened by the				
8	import of illegal timber, and then, referred to				
9	Vietnam's growing importance to the United States				
10	as a footwear and apparel supplier. Just to				
11	clarify, is it your view that the illegal timber				
12	issue does not burden U.S. commerce or that, if				
13	it does, it is offset by the importance of this				
14	trade in other sectors?				
15	MS. HUGHES: Thank you for the				
16	question.				
17	Yes, I am not a timber expert. But,				
18	from our industry's point of view, Vietnam is				
19	such an important supplier. Like I said, they're				
20	the second largest importer for apparel and				
21	footwear. So, I think it is in our view that our				
22	industry's commerce is not affected by the timber				

issue, or the alleged timber illegal import and 1 2 use of timber. But I think we are very concerned about the impacts and retaliation that this 3 Administration might put on our industry, as we 4 have seen in other cases with China and the 5 European Union, like I mentioned in my testimony. 6 7 MS. KENNEALLY: Thank you. Hi. 8 MS. SWINEHART: Thank you. This 9 is Stephanie Swinehart from the Department of Agriculture. This question is also for Ms. Hughes 10 11 from American Apparel and Footwear Association. At the end of your testimony, you 12 13 briefly mentioned your industry's efforts to 14 protect forests and to encourage sustainability. Could you briefly describe a little bit more 15 16 about those efforts and whether any of them have 17 involved Vietnam or the Government of Vietnam? 18 MS. HUGHES: Yes, and I'm happy to provide more information on that in a post-19 20 hearing follow-up. 21 But, like I mentioned in my testimony, we have several of our members that are involved 22

in programs like CanopyStyle, which protects 1 2 forests from the use of dissolving pulp into products and fabrics, such as rayon. And so, 3 4 this is just one of the programs that we support. 5 But our industry is very involved in sustainability measures and working with other 6 NGOs to make sure that our products and our 7 8 industry are the leading examples of a 9 sustainable product going forward. We also are working on issues such as 10 11 recycled fabrics for apparel and other 12 initiatives. Like I said, I'll be happy to 13 follow up in a post-hearing brief. 14 MS. SWINEHART: Thank you very much. That would be helpful. 15 16 CHAIR REYNOLDS: Okay. So, I'd like 17 to just pause to see if anyone -- I actually have 18 one more question for Nate Herman from the Travel 19 Goods Association. 20 And so, you indicated that U.S. 21 commerce is not burdened by the import of illegal timber, and then, you referred to Vietnam's 22

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growing importance in the United States as a 1 2 travel goods supplier. Just to clarify, is your view that the illegal timber issue does not 3 4 burden U.S. commerce or that, even if it does, it 5 is offset by the importance of this trade and in other sectors? 6 Thank you for the 7 MR. HERMAN: 8 question. 9 My intent was to say that our industry is not burdened by any alleged use or import of 10 11 Again, if there are concerns, we feel timber. 12 that the Lacey Act, enforcement of the Lacey Act would be a much more effective vehicle to address 13 14 any concerns over the possible or alleged use and 15 import of illegal timber. 16 CHAIR REYNOLDS: Thank you for your 17 response. 18 So, at this point, I just want to see 19 if any of the other Section 301 Committee members 20 have any additional questions they would like to 21 pose. 22 Okay. So, hearing no further

1 questions and seeing no further questions, I am 2 now going to conclude this hearing. And thank you to everyone who 3 participated in the panels and provided 4 5 testimony, and to all of our panelists, our agency panelists. 6 And as we had mentioned a couple of 7 8 times, you can submit post-hearing comments, and 9 they are due on January 6th on regulations.gov. It's listed in the Federal Register notice 10 11 announcing the hearing. So, if you need further 12 information, feel free to consult that. 13 And if And again, thank you so much. there are questions, just follow up via email. 14 15 (Whereupon, the above-entitled matter 16 went off the record at 1:16 p.m.) 17 18 19 20 21 22

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