

INNERSPRING UNITS FROM CHINA
TRANSSHIPMENT AND OTHER CIRCUMVENTION SCHEMES

HONG KONG, TAIWAN AND MALAYSIA

In January 2009, one year after Leggett & Platt, Incorporated (Leggett) filed a petition asking the U.S. Department of Commerce (DOC) and U.S. International Trade Commission (ITC) to initiate antidumping duty investigations on uncovered innersprings from China, South Africa, and Vietnam, the ITC voted unanimously in favor of the domestic innerspring industry, finding that the industry had been materially injured by imports of dumped innersprings from China. (The ITC made the same determination as to innersprings from South Africa and Vietnam in November 2008.)

In February 2009, the DOC issued its final antidumping order on innerspring units from China, announcing duty rates of 164% for the separate rate manufacturers and 234% for all other Chinese innerspring manufacturers.

As early as mid-2008, after preliminary duties were assessed by the DOC in the innerspring case, Leggett began noticing innersprings coming into the U.S. from other Asian countries (primarily Hong Kong and Taiwan) at Chinese pricing.

According to ITC import statistics (reproduced below), prior to July 2008, there were no innerspring units coming into the U.S. from Hong Kong:

Innersprings Imported from Hong Kong

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
2008	0	0	0	0	0	0	1,480	10,166	47,201	52,290	40,304	17,674	169,115
2009	58,250	16,128	36,152	23,892	10,886	3,743	1,845	8,682	9,231	21,483	8,735	11,377	210,404
2010	13,522	16,367	18,388	32,345	34,537	29,502	23,892	3,100	0	0	0		171,653

In October 2008, Leggett informed the DOC and U.S. Customs and Border Protection (CBP) of its suspicions, backed up with ITC import statistics, data from commercial databases, such as PIERS, Zepol, and Panjiva, and customer contacts. Leggett continues to update the CBP on these findings on roughly a monthly basis.

In February 2009, Leggett did some informal research, obtaining the December 2008 list of innersprings and mattresses shipped from Guangzhou, China, to Hong Kong or through Hong Kong. Innersprings were separated from mattresses by their pricing. Using the DataMyne commercial database to compare quantities listed in the shipments entering Hong Kong to the quantities listed on the bills of lading for shipments into the United States that (1) list Hong Kong as the country of origin and (2) contain "mattress", "innerspring", or "spring" in the description, Leggett found 13 instances in January and February 2008 where the quantity on the bill of lading for shipments in to the United States exactly matched the quantity on the shipments entering Hong Kong.

In April 2009, Leggett hired a private investigator in Hong Kong to look into the manufacturing capability of the primary exporter at each of two listed addresses. One address was simply warehouse storage with no innersprings being stored or manufactured and the other was a small manufacturing facility with 3-4 machines capable of producing innersprings, but none of these machines showed ANY sign of operation and, even if operated, they could produce only a small fraction of the actual volume of innerspring units declared by this exporter.

In addition to Hong Kong, Leggett has uncovered evidence of transshipping from Taiwan and Malaysia:

Innersprings Imported from Taiwan

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
2008	0	0	3,100	0	0	4,932	7,460	5,625	8,219	15,520	7,296	5,340	57,492
2009	3,220	6,794	3,496	23,380	15,008	22,680	19,200	23,654	16,790	4,288	15,046	13,680	167,236
2010	17,660	6,560	9,756	9,740	17,642	26,382	28,130	11,278	18,822	15,108	53,918		166,966

Innersprings Imported from Malaysia

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
2008	0	0	0	0	0	0	0	0	0	0	0	0	0
2009	0	0	0	0	11,436	23,426	27,970	37,736	25,676	29,001	21,386	9,286	185,917
2010	15,154	28,766	7,124	17,988	30,951	32,246	42,254	26,200	19,895	22,961	31,868		275,407

The primary exporter from Taiwan is the entity "Standard Bedding." Leggett has had two separate credit reports prepared for Standard Bedding and the only known premises are around 80 square meters with only 3 employees, nowhere near the size of a manufacturing facility. Standard Bedding's only known manufacturing partner is located in China.

Employees of Leggett were told by a small Asian innerspring manufacturer located outside of China that they were approached by Foshan Jingxin, one of the mandatory respondents in the innerspring case (and an affiliate of the large Hong Kong exporter), about receiving Chinese-made innersprings and relabeling them. Foshan Jingxin told this company that they have a similar relationship with Reztec in Malaysia and that it works very well. As the table above demonstrates, innersprings from Malaysia appeared overnight in large quantities. The shipper on all the Malaysia bills of lading is Reztec.

Based on our review of ITC import data, we believe there are a minimum of 900,000 Chinese innerspring units coming into the United States, illegally avoiding the payment of appropriate antidumping duties of 164-234%.

If the proper duties were placed on these innersprings, their prices would not be competitive with domestically manufactured innersprings, and American workers would be producing those springs and drawing the wire that goes into the springs. It would take 58.5 full time employees earning almost \$2.4 million in wages and benefits per year to produce an additional 900,000 innerspring units per year.

The average value of an innerspring unit is \$27.00 per unit. If we took the most conservative approach and assumed that all 900,000 units were subject to the lower duty of 164%, then that is

\$39,850,000 the U.S. is foregoing in uncollected duties. If 50% of the 900,000 units were subject to the higher 234% duties, it would equal \$48,417,750 in uncollected duties.

Shift in Import "Country of Origin" Following Issuance of AD Order

