

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
)
WOODEN BEDROOM FURNITURE FROM) Investigation No.:
CHINA) 731-TA-1058 (Review)

REVISED AND CORRECTED COPY

Pages: 1 through 302
Place: Washington, D.C.
Date: October 5, 2010

HERITAGE REPORTING CORPORATION

Official Reporters
1220 L Street, N.W., Suite 600
Washington, D.C. 20005
(202) 628-4888
contracts@hrccourtreporters.com

THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
) Investigation No.:
 WOODEN BEDROOM FURNITURE FROM) 731-TA-1058 (Review)
 CHINA)

Tuesday,
 October 5, 2010

Room No. 101
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

The hearing commenced, pursuant to notice, at
 9:32 a.m., before the Commissioners of the United States
 International Trade Commission, the Honorable DEANNA
 TANNER OKUN, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:Commissioners:

DEANNA TANNER OKUN, CHAIRMAN
 CHARLOTTE R. LANE, COMMISSIONER
 DANIEL R. PEARSON, COMMISSIONER
 SHARA L. ARANOFF, COMMISSIONER
 IRVING A. WILLIAMSON, COMMISSIONER
 DEAN A. PINKERT, COMMISSIONER

Staff:

MARILYN R. ABBOTT, SECRETARY TO THE COMMISSION
 WILLIAM R. BISHOP, HEARINGS AND MEETINGS
 COORDINATOR
 SHARON BELLAMY, HEARINGS AND MEETINGS ASSISTANT
 AMY SHERMAN, INVESTIGATOR
 RALPH WATKINS, INTERNATIONAL TRADE ANALYST
 JOHN BENEDETTO, ECONOMIST
 JUSTIN JEE, ACCOUNTANT/AUDITOR
 PETER SULTAN, ATTORNEY
 GEORGE DEYMAN, SUPERVISORY INVESTIGATOR

Heritage Reporting Corporation
 (202) 628-4888

APPEARANCES: (Cont'd.)

Congressional Appearances:

THE HONORABLE JOHN D. DINGELL, U.S.
Representative, 15th District, Michigan
THE HONORABLE RICK BOUCHER, U.S. Representative,
9th District, Virginia

In Support of the Imposition of
Antidumping Duties:

On behalf of American Furniture Manufacturers
Committee for Legal Trade; Vaughan-Bassett
Furniture Company, Inc.

JOHN D. BASSETT, III, Chairman, American Furniture
Manufacturers Committee for Legal Trade and
Chairman, Vaughan-Bassett Furniture
Company, Inc.
WYATT BASSETT, Chief Executive Officer,
Vaughan-Bassett Furniture Company, Inc.
GLENN PRILLAMAN, President and CEO, Stanley
Furniture Company, Inc.
REAU BERRY, President, Johnston/TomBigbee
Furniture Mfg.
JOHN SANDBERG, President and CEO, Sandberg
Furniture Manufacturing Co., Inc.
TIM COPELAND, President, T. Copeland and
Sons, Inc.
GAT CAPERTON, President, Tom Seely
Furniture Co.
ROSIE SILVERS, Employee, Johnston/TomBigbee
Furniture Mfg. and Vice President,
Carpenters Industrial Council Local 2305
DR. KENNETH BUTTON, Consultant, Economic
Consulting Services LLC
JENNIFER LUTZ, Consultant, Economic Consulting
Services LLC
MICHAEL G. SZUSTAKOWSKI, Consultant,
King & Spalding

JOSEPH W. DORN, Esquire
J. MICHAEL TAYLOR, Esquire
BRIAN E. MCGILL, Esquire
King & Spalding LLP
Washington, D.C.

APPEARANCES: (Cont'd.)

In Opposition to the Imposition of
Antidumping Duties:

On behalf of GuangDong Furniture Association,
Trade Committee

GEORGE TSAI, Chairman, Fairmont Designs
LESLIE THOMPSON, Owner, Up Country, Inc.

DR. PETER KOENIG, Esquire
Squire, Sanders & Dempsey L.L.P.
Washington, D.C.

On behalf of Guangdong Yihua Timber Industry
Co., Ltd.; New Classic Home Furnishings, Inc.

JOHN D. GREENWALD, Esquire
PATRICK J. MCLAIN, Esquire
WilmerHale
Washington, D.C.

On behalf of Ashley Furniture Industries, Inc.;
American Signature, Inc.; Fine Furniture Design, LLC;
Hillsdale Furniture, LLC; Home Meridian International;
Lifestyle Enterprise, Inc.; RiversEdge Furniture
Company; TM International, LLC

KRISTIN H. MOWRY, Esquire
JEFFREY S. GRIMSON, Esquire
JILL A. CRAMER, Esquire
Mowry & Grimson, PLLC
Washington, D.C.

On behalf of The Furniture Retailers of America
("FRA")

KEITH KOENIG, President, City Furniture and
Chairman, FRA

WILLIAM SILVERMAN, Esquire
RICHARD P. FERRIN, Esquire
Drinker Biddle & Reath LLP
Washington, D.C.

APPEARANCES: (Cont'd.)

On behalf of Dalian Huafeng Furniture Group Co., Ltd.
("Dalian Huafeng")

MICHAEL P. HOUSE, Esquire
SABAHAT CHAUDHARY, Esquire
Perkins Coie
Washington, D.C.

I N D E X

	PAGE
TESTIMONY OF JOSEPH W. DORN, ESQUIRE, KING & SPALDING LLP	9
TESTIMONY OF WILLIAM SILVERMAN, ESQUIRE, DRINKER BIDDLE & REATH LLP	13
TESTIMONY OF THE HONORABLE JOHN D. DINGELL, U.S. REPRESENTATIVE, 15TH DISTRICT, MICHIGAN	17
TESTIMONY OF JOHN D. BASSETT, III, CHAIRMAN, AMERICAN FURNITURE MANUFACTURERS COMMITTEE FOR LEGAL TRADE AND CHAIRMAN, VAUGHAN-BASSETT FURNITURE COMPANY, INC.	22
TESTIMONY OF WYATT BASSETT, CHIEF EXECUTIVE OFFICER, VAUGHAN-BASSETT FURNITURE COMPANY, INC.	27
TESTIMONY OF GLENN PRILLAMAN, PRESIDENT AND CEO, STANLEY FURNITURE COMPANY, INC.	36
TESTIMONY OF THE HONORABLE RICK BOUCHER, U.S. REPRESENTATIVE, 9TH DISTRICT, VIRGINIA	42
TESTIMONY OF REAU BERRY, PRESIDENT, JOHNSTON/TOMBIGBEE FURNITURE MFG.	46
TESTIMONY OF JOHN SANDBERG, PRESIDENT AND CEO, SANDBERG FURNITURE MANUFACTURING CO., INC.	50
TESTIMONY OF TIM COPELAND, PRESIDENT, T. COPELAND AND SONS, INC.	54
TESTIMONY OF GAT CAPERTON, PRESIDENT, TOM SEELY FURNITURE CO.	57
TESTIMONY OF ROSIE SILVERS, EMPLOYEE, JOHNSTON/TOMBIGBEE FURNITURE MFG. AND VICE PRESIDENT, CARPENTERS INDUSTRIAL COUNCIL LOCAL 2305	60

I N D E X

	PAGE
TESTIMONY OF JOSEPH W. DORN, ESQUIRE, KING & SPALDING LLP	63
TESTIMONY OF WILLIAM SILVERMAN, ESQUIRE, DRINKER BIDDLE & REATH LLP	163
TESTIMONY OF JOHN D. GREENWALD, ESQUIRE, WILMERHALE	164
TESTIMONY OF JEFFREY S. GRIMSON, ESQUIRE, MOWRY & GRIMSON, PLLC	173
TESTIMONY OF GEORGE TSAI, CHAIRMAN, FAIRMONT DESIGNS	178
TESTIMONY OF DR. PETER KOENIG, ESQUIRE, SQUIRE, SANDERS & DEMPSEY L.L.P.	186
TESTIMONY OF LESLIE THOMPSON, OWNER, UP COUNTRY, INC.	193
TESTIMONY OF KEITH KOENIG, PRESIDENT, CITY FURNITURE AND CHAIRMAN, FRA	202
TESTIMONY OF PATRICK J. MCLAIN, ESQUIRE, WILMERHALE	231
TESTIMONY OF RICHARD P. FERRIN, ESQUIRE, DRINKER BIDDLE & REATH LLP	273

I N D E X

	PAGE
CLOSING STATEMENT OF JOSEPH W. DORN, ESQUIRE, KING & SPALDING LLP	291
CLOSING STATEMENT OF JOHN D. GREENWALD, ESQUIRE, WILMERHALE	296

P R O C E E D I N G S

(9:32 a.m.)

1
2
3 CHAIRMAN OKUN: Good morning. On behalf of
4 the U.S. International Trade Commission, I welcome you
5 to this hearing on Investigation No. 731-TA-1058
6 (Review), involving Wooden Bedroom Furniture from
7 China. The purpose of this five year review
8 investigation is to determine whether revocation of
9 the antidumping duty order covering wooden bedroom
10 furniture from China would be likely to lead to
11 continuation or recurrence of material injury to an
12 industry in the United States within a reasonably
13 foreseeable time. Schedules setting forth the
14 presentation of this hearing, notices of investigation
15 and transcript order forms are available at the public
16 distribution table.

17 All prepared testimony should be given to
18 the Secretary. Please do not place testimony directly
19 on the public distribution table. All witnesses must
20 be sworn in by the Secretary before presenting
21 testimony. I understand the parties are aware of time
22 allocations. Any questions regarding time allocations
23 should be directed to the Secretary. Speakers are
24 reminded not to refer in their remarks or answers to
25 questions to business proprietary information. Please

1 speak clearly into the microphone and state your name
2 for the record for the benefit of the court reporter.
3 If you will be submitting documents that contain
4 information you wish classified as business
5 confidential, your request should comply with
6 Commission Rule 201.6. Madam Secretary, are there any
7 preliminary matters?

8 MS. ABBOTT: Yes, Madam Chairman. All
9 witnesses for today's hearing have been sworn in. Our
10 congressional witnesses are running late, so we should
11 proceed with opening statements.

12 CHAIRMAN OKUN: Very well. We'll proceed
13 with opening statements.

14 MS. ABBOTT: Opening statements on behalf of
15 Petitioner will be by Joseph W. Dorn of King &
16 Spalding.

17 CHAIRMAN OKUN: Good morning, and welcome,
18 Mr. Dorn.

19 MR. DORN: Good morning. During January
20 2001 to June 2004, China shipped about \$3.8 billion of
21 wooden bedroom furniture to the United States.
22 Imports from China jumped 148 percent from 2001 to
23 2003. The imports undersold domestic producers'
24 prices in each and every quarterly price comparison.
25 The U.S. producers' prices declined. So did their

1 production and employment. The industry's operating
2 income fell by 57 percent. Sixty-five plants closed.
3 The Commission made a unanimous determination of
4 material injury by reason of dumped imports. The
5 Commission also found that the filing of the petition
6 in October 2003 and the imposition of preliminary
7 duties in June 2004 had beneficial volume and price
8 effects for the domestic industry.

9 The dumped imports had increased every month
10 year on year from January 2001 to June 2004. Imports
11 then began to decrease after exploding at a compound
12 annual rate of 57 percent from 2001 to 2003. The rate
13 of increase fell to nine percent from 2003 to 2006,
14 and to -25 percent from 2006 to 2009 as antidumping
15 duty cash deposits increased in administrative
16 reviews. The state of the industry improved during
17 2004 to 2005 compared to 2001 to 2003. The industry's
18 operating income margin reached a high of 6.2 percent
19 in 2005 and remained above the 2003 level in 2006 with
20 the beginning of the housing bust. The confidential
21 record shows that the improvement in the state of the
22 industry prior to the recession was related to the
23 order.

24 Application of the statutory factors makes
25 clear that revocation of the order would lead to a

1 continuation of material injury. First, the industry
2 is highly vulnerable to material injury. As a result
3 of the worst housing market correction in 60 years,
4 U.S. consumption of bedroom furniture plunged by \$1.7
5 billion, or about one-third, from 2005 to 2009. The
6 industry's condition in 2009 was worse than in any
7 year during 2001 to 2009. Capacity utilization fell
8 to 55 percent, and the industry's operating loss was
9 equal to three percent of sales. Second, the likely
10 volume of imports would be significant. Even with the
11 order in place, subject imports from China remained
12 very significant in 2009 in relation to U.S.
13 consumption, and even more so in relation to U.S.
14 production.

15 Dumped imports would increase sharply if the
16 order were revoked. China has over 30,000 producers
17 of wooden furniture. They can easily shift production
18 between bedroom and other wooden furniture. China
19 remains the world's largest exporter of bedroom
20 furniture, and the United States remains the largest
21 importer of bedroom furniture. In contrast to the 154
22 Chinese producers that responded to the Commission's
23 questionnaire in the original investigation, only a
24 dozen have provided usable responses in this review.
25 Based on those responses, it is clear that Chinese

1 producers are still highly dependent on exports and
2 the United States is by far their largest export
3 market.

4 In addition, the Chinese government supports
5 the Chinese furniture industry. For example, it has
6 aggressively increased VAT rebates to stimulate
7 exports since the global recession began. The
8 GuangDong Furniture Association projects on its
9 website that furniture exports will increase by over
10 \$1 billion from 2009 to 2011. Third, revocation would
11 have negative price effects. Pervasive underselling
12 is a given. Every industry participant knows that.
13 The addition of more supply into an already saturated
14 market would necessarily cause U.S. market prices to
15 decline. Finally, revocation would have a severe
16 negative impact.

17 Given this industry's high variable cost
18 structure, lower prices would dictate declines in
19 output, market share, capacity and employment.
20 Companies barely holding on would disappear. The
21 above points are confirmed in the extensive record of
22 confidential questionnaire responses submitted by U.S.
23 producers, importers and purchasers, and by the
24 Chinese producers.

25 In conclusion, the Commission should focus

1 on the statutory factors, not on the Respondents'
2 hyperbolic assertions regarding settlements that the
3 Chinese Respondents initiated and have continued to
4 seek, especially when you consider the small share of
5 subject imports by members of the AFMC. It is clear
6 that this is a nonissue, a red herring intended to
7 take your attention off of the statutory factors. The
8 outcome of this review will make a very material
9 difference regarding the future of U.S. plants and
10 U.S. jobs. It deserves to be decided on the statutory
11 factors that Congress directed you to consider.
12 Please do not revoke this order. Thank you.

13 MS. ABBOTT: Opening remarks on behalf of
14 Respondents will be by William Silverman of Drinker
15 Biddle & Reath.

16 CHAIRMAN OKUN: Good morning, Mr. Silverman,
17 and welcome.

18 MR. SILVERMAN: Good morning. According to
19 the staff report at Table 1-1, the domestic industry
20 experienced declines from 2001 through 2009, both
21 before the order and during the order. The data show
22 a downward slope that is unaffected by the order.
23 Typically, the Commission sees a major change in these
24 indices when an order is in place, but not here. Why
25 is that? It is because of economic changes that

1 explain the changes in the domestic industry's
2 indices, not Chinese imports and not the order. The
3 causal link that you need to look for is not there.
4 The real causation factors are: 1) a mountainous
5 increase in lower priced imports from Vietnam; 2)
6 decisions by many domestic producers, including those
7 here in the room, to buy from Vietnam and elsewhere
8 rather than make products in the United States.

9 Now to predict the effect of ending the
10 order, you need to measure the purported benefits of
11 the order -- purported benefits of the order -- but
12 Table 1-1 shows that there were no real benefits for
13 U.S. employment or U.S. production. However, the real
14 benefits from this order have gone to the workers in
15 Vietnam whose shipments have displaced the imports
16 from China. The other benefits went to certain U.S.
17 companies, but not to their workers because these
18 companies move their production to other countries or
19 import it directly from Vietnam. If the order were
20 ended, Vietnamese factories will continue to export
21 large quantities to the United States, and U.S.
22 furniture manufacturers will continue to import from
23 Vietnam and elsewhere.

24 However, there will be one difference if the
25 order is ended. A certain set of domestic companies

1 will no longer receive a stream of annual cash
2 payments that come from Chinese manufacturers who will
3 pay whatever these domestic companies demand in order
4 to avoid a Department of Commerce review and keep the
5 original seven percent deposit rate. Domestic
6 companies try to package these as mere settlements,
7 but everybody in the industry in the U.S. and China
8 understands that these payments are clever shakedowns
9 to circumvent the Department of Commerce procedure --
10 clever shakedowns to circumvent the Department's
11 procedure. The economic reality of these shakedowns
12 is that Chinese companies avoided the Department of
13 Commerce investigation and they continue to ship more
14 furniture to the United States.

15 The reality is the more these Chinese
16 companies export to the United States, the greater the
17 revenue that these subset of U.S. companies receive.
18 Remember, the companies get cash under this scheme
19 without producing anything in the United States or
20 employing anybody. Just get the cash. Now, this cash
21 shakedown is a critical condition of competition for
22 your analysis. First of all, it affects the volume of
23 imports, and secondly, it brings into question whether
24 the domestic companies demanding the cash are really
25 related parties under the statute because the cash

1 payments may be more profitable than actually
2 manufacturing furniture in the United States.
3 Remember who the scheme works. The more the Chinese
4 factories ship, the bigger the cash payments that go
5 into the pockets of this subset of U.S. companies.

6 What a racket this is. What a racket.
7 Certain U.S. companies move their production to
8 Vietnam or import from Vietnam rather than employ
9 American workers despite their promises when they
10 testified here five years ago. At the same time, they
11 receive an annual stream of cash payments from Chinese
12 companies who do not want to go through the Department
13 of Commerce review. In fact, the only conceivable
14 injury that this subset of domestic companies could
15 suffer if the order were lifted is the end of the
16 annual cash shakedowns.

17 Now, where in the statute does it say
18 recurrence of material injury is the loss of annual
19 cash shakedowns from foreign domestic producers,
20 especially when the shakedown, in effect, has
21 guaranteed a continuous flow of Chinese imports,
22 whether they be dumped or nondumped, all along? Has
23 guaranteed a continuous flow of Chinese imports. I
24 realize that this is a novel situation for the
25 Commission, and we appreciate the Commission's seeking

1 the data that was requested in the questionnaire, but
2 we urge you not to give your stamp of approval to such
3 a racket and thereby encourage other such schemes in
4 later cases. Thank you.

5 CHAIRMAN OKUN: Thank you. Madam Secretary,
6 I understand our congressional witnesses arrived.

7 MS. ABBOTT: That is correct, Madam
8 Chairman. Our next speaker is the Honorable John D.
9 Dingell, U.S. Representative, 15th District, Michigan.

10 CHAIRMAN OKUN: Good morning, and welcome,
11 Congressman Dingell.

12 MR. DINGELL: Good morning, Madam Chairman.
13 Good morning, members of the Commission.

14 CHAIRMAN OKUN: If you could just make sure
15 your microphone is on.

16 MR. DINGELL: If I'm recognized, Madam
17 Chairman, I begin by thanking you and the Commission
18 for the privilege of appearing here this morning. I
19 want to express my appreciation not just for that, but
20 also for your careful attention to the business of
21 this country, and particularly the part of it that is
22 assigned to you. Before giving my remarks, I would
23 ask that the written testimony of my colleagues in the
24 House and Senate, including that of my friends from
25 Michigan, Senator Levin and Senator Stabenow, would be

1 considered by the Commission with all due
2 deliberation.

3 CHAIRMAN OKUN: Without objection.

4 MR. DINGELL: I wish to begin my testimony
5 by stating my belief that the right decision in this
6 case is to continue the antidumping duties on the
7 imports of Chinese wooden bedroom furniture. I would
8 observe that this is but one of many actions by the
9 Chinese in careful need of attention by this agency
10 and by the United States Government. There's a long
11 pattern and practice of dumping, selling below cost
12 and of questions that would, should raise the
13 attention of this government by the Chinese which is
14 not a true market economy. My district in southeast
15 Michigan is the home of the La-Z-Boy Furniture Company
16 whose headquarters are located in Monroe, Michigan,
17 less than an hour's drive south of Detroit.

18 Monroe is a wonderful, small city on the
19 western shore of Lake Erie. As you all well know,
20 Detroit is one of the epicenters of the current
21 economic crisis and Michigan suffers from the second
22 highest unemployment rate in the country. Monroe is
23 certainly no exception to this lamentable state of
24 affairs and has seen its public services and the lives
25 of its residents adversely affected as a result. Most

1 recently, Monroe's police force has had to lay off one
2 full shift of police officers and it is feared that
3 the city's fire department will soon do the same.
4 Presently, Monroe's police force must do double duty
5 as both police officers and firefighters.

6 In brief, Monroe and the surrounding area,
7 already weakened by the recession, cannot sustain a
8 sudden influx of low priced Chinese imports that would
9 undercut La-Z-Boy's U.S. manufacturers, including Lea
10 Furniture, Kincaid Furniture and American Drew. I
11 would observe to you again, I seek no special
12 treatment for my people, simply that the Commission
13 continue its findings that there is a significant
14 problem with dumping by the Chinese in this (also
15 along with many other areas). Similarly, although La-
16 Z-Boy is one of the world's leading residential
17 furniture producers, it has not been immune to the
18 effects of unfairly priced wooden bedroom furniture
19 from China.

20 For example, La-Z-Boy's case goods segment
21 has been struggling for years and the company has been
22 forced to consolidate two manufacturing operations
23 into one. Nevertheless, La-Z-Boy continues to produce
24 high quality wooden bedroom furniture from U.S.
25 manufacturers. In short, the U.S. industry has

1 benefitted from the antidumping duty order placed on
2 Chinese imports in 2005. I would caution the
3 Commission that if that order were revoked, imports of
4 low priced Chinese furniture would increase, and that
5 this furniture would continue to be afflicted with the
6 practice of selling below cost, dumping and other
7 violations of U.S. trade laws, thus causing perhaps
8 irreparable harm to already fragile U.S. manufacturers
9 and to the working men and women that they employ.

10 More alarmingly, I understand that the
11 Chinese furniture industry continues to grow and that
12 Chinese producers remain highly dependent on the U.S.
13 market. As this Commission knows, the Chinese are
14 trying to sell their way out of the worldwide
15 recession and appear to be having some rather fine
16 success in this undertaking. Again, if the order in
17 question were revoked and the offsetting antidumping
18 duty margins on Chinese furniture were to disappear,
19 nothing would stop the Chinese imports from
20 overwhelming our market and causing tremendous
21 dislocation to our workers and businesses. The United
22 States is a part of a global economy that is
23 supposedly built on a foundation of free trade, but
24 permitting China to outright dump wooden bedroom
25 furniture in the U.S. market would not only belie

1 this, but would create irreparable harm to an
2 important American industry and to the United States'
3 economy. I urge the Commission to maintain and to
4 continue the current antidumping duties on Chinese
5 imports of wooden bedroom furniture, and, in so doing,
6 to help preserve what little manufacturing base this
7 country still has. Madam Chairman, members of the
8 Commission, I thank you for the privilege of being
9 here this morning. I'll be happy to respond to
10 questions, if that would be your wish.

11 CHAIRMAN OKUN: Thank you for your
12 testimony. Let me see if my colleagues have
13 questions.

14 (No response.)

15 CHAIRMAN OKUN: Thank you very much for
16 being here.

17 MR. DINGELL: Gentlemen and ladies, I thank
18 you for your courtesy.

19 MS. ABBOTT: Will our first panel in support
20 of the imposition of antidumping duties please come
21 forward and take your places.

22 CHAIRMAN OKUN: You may proceed.

23 MR. DORN: Thank you, Madam Chairman. First
24 of all, I mentioned the fact in my opening statement
25 that the members of AFMC account for a very tiny share

1 of imports from China. I've handed up a confidential
2 hearing exhibit that sets forth the imports by members
3 of our coalition, including one former member of the
4 coalition. You'll have that data for you with respect
5 to imports from China. Then, on the next page, I have
6 the imports of the members of the coalition, in
7 Exhibit 2, from Vietnam and thought that would be
8 useful to you to have during our presentation. Mr.
9 John Bassett will begin.

10 MR. J. BASSETT: Good morning. My name is
11 John Bassett. I am the Chairman of Vaughan-Bassett
12 Furniture Company and the Chairman of the Committee
13 for Legal Trade. I have been involved in the
14 furniture industry for 47 years. Shortly after
15 learning about the antidumping law in 2003, I
16 recruited U.S. producers of bedroom furniture to form
17 the Committee for Legal Trade and to file this
18 antidumping petition. I felt an obligation to our
19 employees to do everything we could to protect their
20 jobs from the illegal pricing of imports of bedroom
21 furniture from China. We welcome global competition
22 and international trade, and we understand that only
23 the strong will survive, but selling at dumped prices
24 is not strength, it is exploiting an unfair advantage.

25 When we filed this petition the bedroom

1 industry was in a state of panic. Although demand was
2 increasing, U.S. plants were closing left and right in
3 the face of surging imports from China. Some of the
4 U.S. companies who oppose us no longer make any
5 bedroom furniture in the United States. Others, like
6 Furniture Brands, import almost all of the bedroom
7 that they sell. Vaughan-Bassett and the members of
8 our committee are committed to manufacturing bedroom
9 furniture in this country. Are we glad we filed the
10 petition? Yes. But it was difficult and very
11 expensive. We were opposed by 34 law firms. Have the
12 antidumping duties helped? There is no question they
13 have helped.

14 If this Commission had not voted in our
15 favor in 2004, most members of our coalition would
16 have given up on U.S. production. Our witnesses will
17 explain to you this morning that China remains by far
18 the largest threat to U.S. bedroom plants and their
19 employees and that U.S. producers compete head to head
20 with Chinese bedrooms. We'll explain that our
21 industry is in a very weak condition due to the worst
22 housing correction in 60 years, and that revoking the
23 order now would be devastating to our industry and to
24 our workers. Before they speak, however, I want to
25 briefly respond to all the uproar that our opponents

1 are trying to create with their settlement defense.

2 First, on behalf of our company and our
3 employees, and as Chairman of the committee, I have
4 worked hard to protect our legal interests and to
5 enforce the antidumping order. Our company, which is
6 not an importer or purchaser of any Chinese furniture,
7 has committed tremendous financial and human resources
8 to the antidumping effort. We have also paid a price
9 with many of our largest customers. We were not
10 required to seek any administrative review or
11 participate in the reviews and the appeals. We could
12 have just left the separate rate at 7.24 percent, but
13 we believed that the most egregious dumpers were
14 dumping at margins substantially higher than that and
15 we wanted Commerce to review the most egregious
16 dumpers to increase their rates.

17 At tremendous expense, we have been very
18 successful in doing just that. As you will see from
19 Exhibit 1 of our brief, the Commerce Department has
20 conducted four administrative reviews of individual
21 Chinese factories. In every review, the Department
22 has determined that the Chinese factories are dumping
23 with margins averaging about 30 percent, far higher
24 than the seven percent margin of the original
25 investigation. Commerce cannot individually review

1 everybody. It only has the resources to review a
2 handful of mandatory respondents each year. This is
3 the way the system works. Commerce does not allow us
4 to pick the mandatory respondents.

5 It has also rejected our repeated requests
6 to use random sampling to pick respondents. In order
7 to have the most egregious dumpers reviewed, we have
8 had to prioritize and focus on a limited number of
9 companies each year. When some Chinese companies that
10 have not been our highest priorities approached us and
11 offered us cash to settle our legal disputes, we saw
12 no reason not to. We certainly needed the cash to
13 fund our legal fees to enforce the order. These
14 companies never discouraged us from accepting their
15 offers. To the contrary, they were persistent in
16 seeking settlement.

17 Second, these antidumping proceedings have
18 been very expensive. Currently, 21 law firms
19 represent Respondents in the Commerce Department's
20 ongoing administrative reviews. Overall, we have been
21 opposed by 52 law firms. We are represented by only
22 one. The Chinese industry is heavily subsidized by
23 their government. We could have backed down and
24 rolled over, but we decided to vigorously enforce the
25 order. You have seen our financials. How could we

1 afford to fight on every front? The Chinese enabled
2 us to do so by offering us a financial settlement to
3 drop our review request for companies that were not
4 our highest priorities. Substantially all of these
5 settlement proceeds have been used or set aside to pay
6 our legal bills in this matter.

7 Third, when the order was put in place, we
8 did not anticipate what has become one of the greatest
9 threats to its effectiveness. There is a large,
10 concerted effort among some of the most egregious
11 dumpers and companies to evade the order. When the
12 U.S. importers of Chinese bedroom avoid paying the
13 calculated duties, then it damages the effectiveness
14 of the order. It requires tremendous resources to
15 fight this circumvention battle. Finally, please
16 consider who is complaining. It is the same Chinese
17 producers who first came to us and asked us to accept
18 financial settlements in the first place. Let me be
19 clear. Settlements were not an idea that originated
20 with Petitioners.

21 If the Chinese producers do not like
22 settlements, there is an easy solution. Simply do not
23 make us any settlement offers. Ladies and gentlemen,
24 it's pretty simple. If the Chinese have done nothing
25 wrong, if they have nothing to hide, then they have

1 nothing to fear. They should abandon the settlement
2 option that they originated and ask instead to be
3 reviewed by the Commerce Department. As a domestic
4 furniture manufacturer, we have a legal right to have
5 the Chinese exporters named in any review. If there
6 are no future settlements, they still cannot take away
7 that right. Thank you.

8 MR. W. BASSETT: Good morning. I'm Wyatt
9 Bassett, CEO of Vaughan-Bassett Furniture Company. We
10 have two plants, in Galax, Virginia, and Elkin, North
11 Carolina, that produce wooden bedroom furniture.
12 During the period of review, bedroom furniture has
13 accounted for nearly all of Vaughan-Bassett's
14 production. We produce bedroom furniture made of both
15 solids and veneers, and also all solid wood. Our
16 products are sold in the lower middle to middle
17 segments of the U.S. market. This is the heart of the
18 market with the highest demand where most imports from
19 China are sold. We currently produce 16 different
20 bedroom collections. The Louis Philippe Collection is
21 a bread and butter product line for us and for many
22 Chinese producers.

23 Our Authentically American by Alexander
24 Julian Collections are aimed at a higher price point.
25 Our Barnburner Collections are offered at a lower

1 price point in reaction to lower priced imports from
2 China. Most of our products are made with a
3 combination of solid wood and wood veneers. When the
4 Commerce Department applied the PRC-wide antidumping
5 rate of 216 percent to Starcorp, a major Chinese
6 producer and downward price leader of all solid wood
7 bedrooms, we decided to give more focus to the types
8 of solid wood products that Starcorp has been
9 exporting. This year we introduced the Appalachian
10 Hardwood Collection, and in the last two years we have
11 invested \$4 million in capital expenditures to produce
12 this solid wood bedroom line.

13 We replace every tree used to supply our
14 lumber by paying for about 150,000 tree seedlings each
15 year from the Virginia Department of Forestry, which
16 calls our Replenishment Program, "sustainability at
17 its best". During the period leading up to the
18 antidumping order, we were severely injured by dumped
19 imports from China. Even while demand was increasing,
20 we were forced to shut down most of our production at
21 our Atkins, Virginia plant and close our Sumter, South
22 Carolina plant. About 650 of our employees were
23 certified for Trade Adjustment Assistance. The
24 antidumping order has been effective in restraining
25 imports from China, especially from the most egregious

1 dumpers.

2 From 2001 to 2003, dumped imports jumped by
3 148 percent. With the preliminary duties in place
4 starting in July 2004, imports from China decreased in
5 10 of the next 11 months compared to the same month in
6 the prior year. Since the initiation of the first
7 administrative review in 2006, Chinese imports have
8 dropped by almost 60 percent. The order also reduced
9 the negative price effects of subject imports. Due to
10 the positive effect of the order, we have invested
11 over \$23 million in property, plant and equipment
12 since 2004. The order has enabled us to withstand the
13 worst financial, economic and credit crisis since the
14 Great Depression. Nevertheless, due to the great
15 recession and a continuing oversupply of bedroom
16 furniture in the U.S. market, the domestic industry's
17 performance has deteriorated since 2006.

18 We were forced to cease production at our
19 Elkin plant from February 2009 through October 2009.
20 Our workers who lost their jobs were certified for
21 TAA. We were able to partially reopen the Elkin plant
22 in October 2009. Assuming the economy improves and
23 the order remains in place, we would anticipate adding
24 additional workers and utilizing excess capacity in
25 both our Galax and Elkin factories. If the order is

1 revoked, dumped imports from China are virtually
2 certain to increase once again due to the sheer size
3 of the Chinese industry and number of Chinese
4 factories, the high growth rate of its Chinese
5 production, the focus of numerous Chinese producers on
6 the U.S. market, the high level of existing excess
7 Chinese capacity and government subsidies and the
8 export promotion policies of the Chinese government
9 favoring this industry.

10 If the order is revoked, hundreds of Chinese
11 factories will return to or intensify their focus on
12 the U.S. market. Thus, the rapid increase in import
13 volume exhibited during the original investigation is
14 almost certain to be repeated if the order is revoked.
15 The high interest of the Chinese producers in
16 penetrating the U.S. market is demonstrated by the
17 repeated efforts of these producers to circumvent the
18 order. For example, it's a common practice of Chinese
19 producers with high cash deposit rates to funnel their
20 exports to the United States through Chinese exporters
21 with lower cash deposit rates. Furniture Today has
22 documented this practice, as you can see from reading
23 Slides 2 and 3 at your convenience.

24 Chinese producers also circumvent the order
25 by serving as the U.S. importer of record and refusing

1 to pay antidumping duties determined to be due in
2 reviews when those duties exceed the cash deposit
3 rates. One Chinese producers, Starcorp, has refused
4 to pay \$80 million in antidumping duties that are due.
5 Moreover, U.S. importers often affiliated with Chinese
6 producer exporters have evaded duties by
7 misrepresenting the origin of the furniture or falsely
8 claiming that imports of bedroom furniture from China
9 are nonsubject products, such as metal furniture.
10 U.S. importers also set up shell companies that
11 cannot, and do not, pay assessed duties and penalties
12 when their fraudulent schemes are discovered by
13 customers.

14 Finally, numerous freight forwarders
15 advertise services that enable their customers to
16 illegally evade duties by transshipping them through
17 other countries, such as Vietnam or Malaysia, complete
18 with fraudulent paperwork. Furniture Today is
19 reported on this practice, as you will see from Slide
20 4. Slide 5 contains an example of an advertisement
21 for transshipment services to avoid antidumping
22 duties. Obviously, the Chinese producers will do
23 almost anything, including sometimes breaking the law,
24 to continue to sell bedroom furniture into the U.S.
25 market. The importance of the U.S. market can be seen

1 in the extensive marketing efforts of major Chinese
2 producers that have established major distribution
3 warehouses and marketing companies in the United
4 States.

5 In addition to their major showroom presence
6 in Las Vegas and High Point, Chinese producers
7 maintain major advertising campaigns in furniture
8 trade journals, and then have developed permanent
9 showrooms in China for international buyers. Starcorp
10 makes solid wood furniture and is a known volume and
11 downward price leader. Starcorp's exports to the
12 United States are marketed through Tradewins, its
13 affiliated company which owns a warehouse next to the
14 factory in China. Dalian Huafeng is one of the
15 largest Chinese case goods manufacturers. Its U.S.
16 marketing arm is Great River Trading, whose presence
17 in the U.S. market has grown quickly since it started
18 operations in 2006.

19 It doubled its showroom space at High Point
20 to 44,000 square feet in 2008. Dalian also sells
21 through Trade Masters, a distributor that moved into a
22 40,000 square foot showroom at High Point in 2009. An
23 officer of this company was quoted earlier this year
24 as stating that Trade Masters is, "poised to grow in
25 2010". Another major Chinese producer with a fully-

1 developed U.S. marketing operation is Yihua Timber
2 which aggressively promotes its bedrooms through its
3 affiliated distributor, New Classic Home Furnishings.
4 New Classic continues to add to its offerings in the
5 U.S. market, announcing nine new bedroom collections
6 for 2010. It also has recently completed a major
7 expansion to its case goods plants in China.

8 We compete head-to-head with all three of
9 these factories. They have all been named in
10 administrative reviews. Respondents have argued that
11 the Chinese producers will not be competitive in the
12 U.S. market for various reasons, including increased
13 labor rates in China and appreciation of the Chinese
14 currency. This is simply not true. Without the
15 order, China will return as the dominant exporter into
16 the U.S. market. Even with the order in place,
17 Chinese producers have made substantial investments in
18 U.S. distribution systems, including showrooms and
19 warehouses. Revocation would simply reduce their cost
20 of supplying the United States and give them a license
21 to undercut us on any sale they wish to make.
22 Moreover, major Chinese producers have facilities
23 dedicated to the production of bedrooms for the U.S.
24 market and there are tens of thousands of Chinese
25 producers capable of producing for the U.S. market.

1 Similarly, Respondents have argued that imports from
2 Vietnam are more competitive in the U.S. market than
3 imports from China. I think the opposite is true.
4 Chinese producers are more sophisticated, have far
5 more developed production supply chain systems, offer
6 a broader range of bedroom furniture, produce higher
7 quality furniture and have a much more developed
8 distribution system in the U.S. market. The Chinese
9 industry also dwarfs the Vietnamese industry in terms
10 of numbers of factories, number of employees and
11 production capacity. China also benefits from a far
12 greater export infrastructure, including multiple deep
13 water ports and less costly ocean freight to the
14 United States than from Vietnam. China also has a
15 concerted national policy of supporting the furniture
16 industry in its exports. There is no doubt that China
17 today is a far greater threat to the domestic industry
18 than Vietnam. Because imports from China are highly
19 interchangeable with domestic production, price is the
20 primary consideration for most purchasers. The
21 Chinese producers copy the most popular U.S. designs
22 and then undersell domestic producers. The prehearing
23 report confirms that most importers and purchasers
24 believe that Chinese and domestic bedroom furniture
25 are interchangeable, and that Chinese products are

1 lower priced. Revocation would greatly enhance the
2 ability of Chinese producers to gain sales through
3 underselling. Domestic producers would have to
4 respond by dropping their prices to achieve minimum
5 sales levels. As during the original period of
6 investigation, the industry would not be able to
7 recover increased raw material costs in this unfair
8 trade environment. The adverse impact on the domestic
9 industry will be severe. Bedroom furniture production
10 is a high variable cost endeavor. As prices fall,
11 many companies would not be able to maintain volume
12 and would have to cut capacity and employees. The
13 recession has already forced the domestic industry to
14 cut back as much as possible. Revocation would surely
15 lead to the closure of more facilities and the loss of
16 thousands of jobs. In Vaughan-Bassett's case, we
17 would do everything possible to compete aggressively,
18 but the effect of underselling likely would make it
19 impossible to earn the reasonable profits needed to
20 make capital investments. In conclusion, revocation
21 of the order would lead to increased dumped imports,
22 increased underselling and significant declines in the
23 domestic industry's sales, production, employment,
24 capacity and profits. Revocation of the order would
25 not only lead to the continuation of material injury,

1 it would likely be the death nail for many U.S.
2 producers.

3 MR. PRILLAMAN: Good morning. My name is
4 Glenn Prillaman. I am the President and CEO of
5 Stanley Furniture Company, a publicly-traded company
6 headquartered in Stanleytown, Virginia. Stanley
7 Furniture supported the antidumping petition against
8 imports. From China from 2001 to 2003, the huge
9 increase in dumped imports caused our production,
10 employment and operating income to fall during a
11 period of rising demand. With the imposition of
12 preliminary duties, our profitability improved in the
13 second half of 2004 and in 2005. In fact, the filing
14 of the petition and the imposition of duties
15 justified, and continues to justify, our production of
16 bedroom furniture in the United States.

17 Had this Commission voted against the
18 petition in 2004, we would likely have stopped making
19 any bedroom furniture in this country several years
20 ago. Unfortunately, in the last few years the great
21 recession has severely negatively impacted the driving
22 factors of demand for wooden bedroom in this country.
23 We have seen significant declines in housing activity,
24 consumer confidence and disposable income, all three
25 of which are historical necessities for our industry

1 to grow. This slow down began for us in late 2005,
2 but it intensified in 2008 and 2009 as the U.S.
3 housing market completely collapsed. In response, we
4 closed our Martinsville, Virginia plant in late 2007
5 and converted it into a warehouse. We then closed our
6 Lexington, North Carolina plant in October of 2008.

7 The continuing onslaught of imports, as well
8 as the overall economic slowdown contributed to these
9 closures and the workers at these facilities were
10 certified for Trade Adjustment Assistance. In May of
11 this year, we made the painful decision to cease
12 domestic production of adult bedroom furniture
13 altogether. Our Stanleytown, Virginia plant will
14 transition to a warehouse by the end of this year. We
15 had downsized our workforce and gained multiple
16 operational efficiencies at the Stanleytown plant, but
17 the recession has decreased our unit volume to the
18 point where we can no longer sustain operations at
19 this facility.

20 Let me make the point that we manufacture
21 five different product lines at this Stanleytown
22 facility: bedroom, dining room, accents, home
23 entertainment and home office, four of which are not
24 covered by the antidumping order. While the order has
25 benefitted this factory regarding its bedroom

1 production, sustaining operations in a 1.7 million
2 square foot facility such as Stanleytown requires more
3 than just bedroom production. However, this pending
4 stoppage of adult bedroom production at our
5 Stanleytown facility should not lead you to believe
6 that we are a company without a plan to make domestic
7 manufacturing work for us and to serve our customers.

8 We are, in fact, in the midst of the largest
9 restructuring effort in our company's 86 year history.
10 As a part of that plan, we have committed to produce
11 all of our nursery and youth bedroom furniture
12 domestically at our Robbinsville plant where we are
13 the largest employer in Graham County, North Carolina.
14 In doing so, we have brought back the 40 percent of
15 our production that we used to source from former
16 Asian suppliers. We brought that back to the United
17 States. We have increased domestic production, we've
18 hired additional associates. We are investing
19 approximately \$3 million in packaging equipment and
20 new finishing processes in our Robbinsville plant to
21 expand capacity and lower our production costs.

22 Domestically manufacturing this product line
23 helps provide quick delivery to consumers with a child
24 that has grown out a of crib, color selection, as well
25 as model size choices for what is usually the smallest

1 bedroom in the home, and then safer products for
2 infants and small children by controlling our own
3 production quality. We believe these strategies offer
4 us a way to compete successfully with imports, but if
5 the duties are revoked, they may not be enough. Youth
6 bedroom is a market segment that most bedroom
7 producers do not pursue until after they have become
8 well-established in the adult bedroom market. Once
9 the bedroom market becomes saturated, adult bedroom
10 producers turn their focus to the youth market.

11 I believe this is the reason that the
12 increase in imports of youth bedrooms from China prior
13 to the imposition of duties was not nearly as great as
14 the surge in imports of adult bedrooms from China.
15 The imposition of the duties blunted the natural
16 progression from adult to youth bedrooms that would
17 have occurred otherwise. Today we do compete head-to-
18 head with Chinese imports of youth furniture sold by
19 companies, like Hooker Furniture, New Classic, as
20 mentioned earlier, and Kinwai USA. The antidumping
21 order has been effective in impeding more aggressive
22 Chinese penetration of the youth furniture segment of
23 the U.S. market with one exception, and this
24 exception, I believe, supports my testimony.

25 A major Chinese producer is excluded from

1 the antidumping order. As the order thwarted most
2 other Chinese companies from entering the youth market
3 from 2004 forward, this producer built a sizeable
4 business copying my company's designs, marketing
5 concepts and distribution path and targeting our
6 customer base with their sales agents stating that
7 they could provide our customers with Stanley designs
8 at China prices. It successfully penetrated the
9 market selling at substantially lower prices than
10 Stanley and became a major competitor in the youth
11 furniture market. Without the antidumping order, I
12 believe many other Chinese producers would have
13 aggressively entered the youth bedroom market segment
14 using exactly these same tactics.

15 If the order is revoked, the tremendous
16 amount of excess capacity in China and the
17 attractiveness of the U.S. market will result in
18 greatly increased imports from China. Because other
19 countries in Asia are now exporting successfully into
20 the U.S. market, intense price competition between
21 imports from multiple Asian sources would cause
22 further damage to domestic production. Revocation of
23 the order would serve as an invitation to reenter our
24 market for the Chinese producers who left the U.S.
25 market because of high antidumping duties, and for the

1 Chinese producers who never left, it would be an
2 invitation to lower their prices by at least the
3 amount of the existing duties they have been paying.

4 As a consequence, there would likely be
5 substantial damage to U.S. producers that will not be
6 able to match the low Chinese prices used to gain U.S.
7 market share. As you know from our questionnaire
8 response, our financial condition has suffered during
9 the great recession. This would be the worst possible
10 time to expose our company and our workers to a
11 renewed surge of dumped imports. For us, revocation
12 of the order would likely mean wasted investment on
13 our company's path to improve efficiencies for
14 sustained domestic operations. The U.S. market would
15 be greatly oversupplied with youth bedrooms, and the
16 downward price pressure would be unbearable even for
17 the most efficient of domestic manufacturers.

18 Stanley would likely experience reduced
19 production, reduced employment levels, profits, and we
20 would lack the incentive to invest in our Robbinsville
21 plant. Thus, revocation could result in the end of
22 our U.S. production of bedroom furniture. Our
23 Robbinsville plant could close, displacing over 500
24 jobs in an area in western North Carolina already
25 known for its high unemployment levels caused in part

1 by previous manufacturing plant closings by other
2 furniture companies. I ask the Commission not to let
3 dumped imports from China end our U.S. production.
4 The production jobs we continue to provide are
5 important not only to the workers and their families,
6 but also to the local communities that have already
7 suffered from the closing of multiple furniture
8 plants.

9 CHAIRMAN OKUN: Thank you. Mr. Dorn, before
10 we proceed to your next witness, our second
11 congressional witness has arrived and I'd like to be
12 able to accommodate him at this time.

13 MR. DORN: Should we keep our places?

14 CHAIRMAN OKUN: Yes, if you can just keep
15 your places and we'll put him at the podium. Thank
16 you.

17 MR. BISHOP: The Honorable Rick Boucher,
18 U.S. Representative, 9th District, Virginia.

19 CHAIRMAN OKUN: Good morning, and welcome,
20 Congressman.

21 MR. BOUCHER: Well, good morning, Madam
22 Chairman, and thank you very much for permitting me
23 the opportunity to testify here this morning. I'm
24 pleased to share my views with you as the
25 International Trade Commission holds this hearing to

1 consider whether to revoke or to continue the
2 antidumping duty order on wooden bedroom furniture
3 from China. I'm here to represent my views this
4 morning, but also to say that were it not for the fact
5 that Congress is in recess this week, you would have
6 other members of the House of Representatives here, in
7 person, in order to share their strong support for a
8 continuation of the antidumping duty order.

9 My district in southwest Virginia has been
10 home to the U.S. wooden bedroom furniture industry
11 since the industry's very inception. Vaughan-Bassett
12 Furniture and Bassett Furniture, headquartered in
13 Galax and in Bassett, Virginia, respectively, both had
14 their origins in my district in the early 1900s.
15 Despite a promising beginning and decades of financial
16 success, Virginia has seen more than its share of
17 hardships in the furniture sector due in large part to
18 the huge influx of cheap Chinese imports, coupled with
19 the hard hitting recession. Communities throughout my
20 district have been seriously affected. Were it not
21 for the antidumping duty order on imports of wooden
22 bedroom furniture from China, the economic
23 circumstance in our furniture producing localities
24 would today be much worse than it is.

25 In 2007, Bassett Furniture closed its

Heritage Reporting Corporation
(202) 628-4888

1 323,000 square feet wood manufacturing facility in
2 Bassett, Virginia, with a loss of 280 jobs in an
3 economy that was already reeling. The efficiency
4 improvements and the investments that have been made
5 in the Bassett facility over several years leading up
6 to the plant's closing were simply not enough to
7 offset the injury caused by low priced imports of
8 wooden bedroom furniture from China, even at a time
9 when the antidumping duty order was in place.
10 Recently, some American furniture producers have been
11 able to fight back, and that has happened even during
12 the recession, and they are beginning to rebuild the
13 wooden bedroom furniture manufacturing industry in my
14 district.

15 With the protection afforded, the Vaughan-
16 Bassett Furniture Company in Galax, and this is the
17 protection afforded by the antidumping order, has been
18 able to invest \$1 million in 2010 in order to expand
19 its plant in Galax and increase employment in a region
20 where we need as much new employment as we can obtain.
21 Vaughan-Bassett now employs more than 700 workers at
22 its various facilities manufacturing furniture, and
23 all of those facilities are located in the United
24 States. That success, however, is not assured. I
25 understand that the United States remains the primary

1 export destination for furniture produced in China.
2 The Chinese furniture industry continues to grow, and
3 the Chinese government continues to subsidize its
4 producers.

5 If the antidumping duty order were revoked,
6 imports of low priced Chinese wooden bedroom furniture
7 would surely flood the market and destroy what remains
8 of our United States' furniture manufacturing
9 industry. My district would be particularly hard hit,
10 and that is why I've taken the opportunity to return
11 from the recess where I was in my congressional
12 district specifically for the purpose of sharing these
13 views with you this morning. United States' trade
14 laws are indispensable tools which should guarantee a
15 level playing field and a fair opportunity for
16 America's workers. I know that the workers of
17 companies like Vaughan-Bassett and Bassett Furniture
18 can compete against their counterparts anywhere in the
19 world, as long as the playing field is level.

20 Without the protections available under
21 current law, including the antidumping duty order,
22 these workers and these companies would face
23 substantial and long-lasting harm. I appreciate the
24 opportunity this morning to express my strong belief
25 that the revocation of the antidumping duty order on

1 wooden bedroom furniture from China would cause grave
2 injury to the U.S. furniture manufacturing industry
3 and the economy of my congressional district, so I
4 urge the Commission to continue the order to protect
5 the domestic wooden bedroom furniture industry from
6 Chinese illegal trade practices. I appreciate the
7 opportunity to be with you this morning.

8 CHAIRMAN OKUN: Thank you, Congressman
9 Boucher, for your testimony. Let me check to see if
10 my colleagues have any questions.

11 (No response.)

12 CHAIRMAN OKUN: Thank you.

13 MR. BOUCHER: Thank you very much.

14 CHAIRMAN OKUN: We can continue with the
15 next witness. Secretary, please restart the time.

16 MR. BERRY: Good morning. My name is Reau
17 Berry, and I'm the President and third generation
18 owner of JTB Furniture Company. My grandfather,
19 Russell Johnston, started manufacturing furniture in
20 the basement of a retail furniture store that he had
21 received in lieu of a commission in 1932. In 1981, we
22 began making case goods for the hospitality industry,
23 and by 2003, we had completely phased out our retail
24 division. Our product is made from solid hardwoods,
25 veneers and plastic laminates. We make furniture that

1 is built stylish and built to withstand the demand of
2 the typical hotel usage. We have many Chinese based
3 competitors, including Fairmont Designs, C.F. Kent,
4 Decca. A small number of other U.S. producers also
5 focus on the hospitality market.

6 Most of those companies also import. For
7 example, we understand that almost all of Kimball's
8 products are imported. JTB did import some bedroom
9 items from China prior to the imposition of the order.
10 We ceased importing when the order was imposed, and we
11 have produced only in the United States since that
12 time. We are now a pure play, U.S. manufacturer and
13 proud of it. I would like to describe the hospitality
14 market and the impact of the Chinese imports in the
15 market. In general, there are two types of sales
16 opportunities. The first is selling to a new
17 facility. The brand owner, for example, Marriott or
18 Hilton, will typically maintain a number of approved
19 vendors for individual facilities.

20 JTB is frequently an approved vendor to
21 major chains, along with several other suppliers. A
22 Chinese-based supplier, like C.F. Kent or Fairmont
23 Designs, is commonly in competition with us. As an
24 approved vendor, JTB and others considered on equal
25 footing in terms of quality. Thus, the purchase

1 decisions in most cases comes down to price, and we
2 compete head-to-head with the Chinese imports on a
3 daily basis. The second type of sales opportunity is
4 for refurbishment. This is where most commonly the
5 brand owner tells a franchise owner that it needs to
6 upgrade this or that to maintain the brand. The
7 franchise owner is typically given a window of time to
8 meet the requirements of the brand owner.

9 In this type of sales opportunity, the
10 incumbent supplier may have an advantage, but any
11 other producer can copy the design and offer a better
12 price to get the business. Imports from China are
13 also fierce competitors for this type of business.
14 Demand trends in the hospitality sector differ
15 somewhat from the residential retail market. Although
16 the downturn in retail sales began around 2007, our
17 pipeline for hotel projects was relatively constant
18 through both 2007 and 2008. For us, it was 2009 when
19 the demand fell off notably. As we all know,
20 commercial property values have deteriorated in most
21 parts of the United States. By 2009, the pipeline for
22 new hotel construction had started to empty out. Even
23 refurbishment business slowed as brand owners
24 recognized the financial constraints on franchise
25 owners.

1 Even good owners have been forced to cut
2 back on their expenses. Several years ago, JTB
3 employed 400 people. Our workforce at the current
4 time numbers 139. We are operating in a very
5 depressed economic environment. Revocation of the
6 order now would destroy the remaining opportunities in
7 the hospitality market today. Chinese imports would
8 further undercut our prices, and we would be washed
9 out to sea. This is not because JTB has failed to
10 invest in the most modern equipment. On the contrary,
11 we have invested significantly in upgraded equipment
12 since the order was imposed. These investments are
13 detailed in our questionnaire response. We also
14 expanded our capacity by one-third during the period
15 covered by your questionnaire.

16 These investments and this expansion could
17 never have been undertaken without antidumping order.
18 Let me be clear. There is no way I can compete with
19 China without the antidumping order. Chinese imports
20 are still extremely competitive, even with the tariffs
21 in place. We were extremely pleased, and not at all
22 surprised, to see that one of our major competitors,
23 Fairmont Designs, was assessed a 43 percent margin in
24 the most recent Department of Commerce administrative
25 review. The elimination of the duty on Fairmont

1 Designs alone would cause serious harm to JTB. The
2 revocation of the duties on all Chinese imports would
3 be the literal end of JTB. The fate of JTB and our
4 industry is in your hands. That fact is crystal clear
5 to me, and I hope it will be equally evident to you.
6 Thank you.

7 MR. SANDBERG: Good morning. I'm John
8 Sandberg, President of the Sandberg Furniture
9 Manufacturing Company. I represent the fourth
10 generation in a family business that has existed since
11 1890 and has been in the bedroom business since 1918.
12 We have one factory located in Los Angeles. We sell
13 our products throughout the United States. We make
14 bedroom collections that use paper laminates instead
15 of solid wood or wood veneers for the exposed
16 surfaces.

17 These paper laminate products serve lower-
18 income consumers. Our company is a leader in the
19 technology for making paper laminate bedroom
20 collections. We utilize the best machines available
21 to produce the highest-quality workmanship with world-
22 class efficiency. For example, we have developed the
23 proprietary finishing technology trademark named
24 Ultragloss that gives paper laminate a finish that is
25 unsurpassed in the industry.

1 Moreover, we utilize specialty construction
2 techniques that produce a superior appearance and a
3 stronger product at a lower cost than using
4 traditional methods. Substantially, all imports of
5 bedrooms from China are made with solids and veneers,
6 not paper laminate. However, we compete directly with
7 lower-end Chinese bedrooms using wood veneers.
8 Although wood veneers cost substantially more than
9 paper laminates, Chinese producers sell bedrooms with
10 veneers for the prices comparable to our prices for
11 paper laminate product.

12 Thus, our furniture dealers use the import
13 prices to negotiate prices with us. They as, for
14 example, why should we buy your paper laminate
15 bedrooms when we can buy wood veneer bedrooms from
16 China at the same price. Although bedrooms with paper
17 laminate surfaces are a small portion of current
18 imports from China, the volume would increase rapidly
19 if the order was revoked. Chinese producers of
20 bedrooms made with paper laminates would penetrate the
21 market with low prices.

22 In investigating Chinese production of
23 laminate bedroom furniture in 2003, I discovered that
24 I could import completed and boxed product for less
25 than our material cost. I knew we were in trouble.

1 Fortunately, the anti-dumping orders discouraged the
2 growth of Chinese bedrooms with paper laminates in the
3 U.S. market, but the fundamentals are no different
4 now.

5 If the order is revoked a high-volume of
6 paper laminate bedrooms will be among the increased
7 imports from China. China is by far the largest
8 threat with respect to paper laminate bedrooms. To my
9 knowledge, there are only two paper bedroom producers
10 in Vietnam, and they do not export to the U.S.
11 Without duties, the cost of Chinese paper laminate
12 bedrooms would be well below the cost for Chinese
13 veneer bedrooms. They would establish new, much lower
14 prices in the U.S. market.

15 The Chinese paper laminate bedrooms would
16 undercut low-end veneer producers from both China and
17 other countries. This would cause a downward price
18 spiral at the low end of the market. This dynamic
19 means that dumped paper laminate bedrooms would drag
20 down prices for low-end bedrooms made of both paper
21 laminates and veneers. At the hearing in the original
22 investigation, I told the Commission about the large
23 number of west-coast producers that had been in the
24 business for a very long time but had been forced to
25 shut down their U.S. production operations permanently

1 by the influx of dumped imports from China.

2 Even though Sandberg was not one of those
3 companies, our performance was severely impacted.
4 Longstanding customers reduced their orders to zero
5 because they were purchasing from China. We were
6 forced to curtail expansion plans and close one of our
7 existing facilities. After filing the anti-dumping
8 petition, our performance improved. Our sales and
9 capacity utilization increased.

10 We also had available cash to spend on
11 equipment, including a one-half million dollar
12 investment in a new Ecogate dust collection system.
13 We made over \$1.4 million in capital expenditures from
14 fiscal 2004 to fiscal 2006, which is a considerable
15 sum for a small company like us. Without the order,
16 there is no question in my mind that Sandberg
17 Furniture would already have been forced to close.
18 Due to the recession, we have downsized our production
19 operations to a bare-minimum level.

20 The combination of the recession, continuing
21 weak demand, imports from other Asian countries and
22 increased imports from China upon revocation of the
23 duties would be more than we could withstand. If the
24 order were revoked, we would lose sales, be forced to
25 reduce employment and likely have to close our

1 factory. Please keep this order in place. Thank you.

2 MR. COPELAND: Good morning. I'm Tim
3 Copeland, President and co-owner of T. Copeland and
4 Sons. We started our company in 1976 and have been
5 producing wooden bedroom furniture since the late
6 1980s under the name Copeland Furniture. We're the
7 largest employer in our small town of Bradford,
8 Vermont. We produce and sell high-end, contemporary,
9 modern and transitional bedroom furniture to retailers
10 all over the country. In this area, our customers
11 include Design Within Reach in D.C., Creative Classics
12 in Old Town Alexandria, Little Homestead in Rockville
13 and Indoor Furniture in Columbia.

14 We typically build our furniture in short
15 runs, often after the consumer places an order with
16 the retail dealer. This allows the retailer to offer
17 a high-end product with minimal investment in
18 inventory and to give the end user the option to
19 specify finishes and hardware. We were not however
20 always a make-to-order operation. Before dumped
21 Chinese imports surged into the market, we produced
22 large runs, as many as 100 or more of the same pieces
23 in one production run. This enabled economies of
24 scale and provided us with a fair return.

25 A tidal wave of dumped imports from China

1 from 2001 to 2003 changed this. Chinese sources began
2 to offer similar product at prices that were a
3 fraction of ours. Seeing the enormity of the problem,
4 we put our full support behind the anti-dumping duty
5 petition. Once the order was in place, it seemed that
6 Chinese dumping and the import volume from China was
7 held in check. We believe that the order has been key
8 to our survival by limiting the impact of illegally
9 dumped imports. Without the order, we well may have
10 gone out of business.

11 At the same time, we've adapted by moving
12 away from lower- and mid-priced products and have
13 focused on a business model that emphasizes higher-end
14 furniture and smaller production runs. However, we
15 still compete against low-priced imports from China,
16 some of which are knock-off copies of our products
17 made from Vermont hardwoods from the same forests from
18 which we get our hardwoods.

19 Right now, one importer of Chinese wooden
20 bedroom furniture, Tradewins, has stolen our designs,
21 and sells furniture based on those designs by
22 undercutting our prices. At the top of this slide,
23 you can see our Sarah queen bed, our original design.
24 We've produced it for more than 15 years. Beneath the
25 picture of our product is the knock-off copy offered

1 by Tradewins for far less. Tradewins copied not only
2 the queen-sized beds, but the entire group.

3 Slide B shows the Harbor Island queen bed
4 and the Tradewins' knock off offered at similarly far
5 lower prices. Tradewins once again copied not only
6 the queen-sized beds, but the entire group. Slide C
7 shows the entire Sarah group and the Tradewins' copy,
8 shows our entire Harbor Island and the Tradewins'
9 copies. We face direct competition from China at the
10 high end of the market where we focus with a
11 competitor producing products that we designed using
12 raw material from New England and dumping them back
13 into our market at very low prices.

14 I can readily answer the question as to the
15 likely outcome if the order is revoked. There would
16 be a massive increase in dumped imports from China of
17 products that are made from the same woods we use and
18 with the same designs but sold at dumped prices that
19 we cannot meet. We know from our experience during
20 the original investigation that this could be ruinous
21 for the industry. We want to continue to invest in
22 our operations to improve our product and processes
23 and to increase employment, but we need the U.S.
24 government to do several things to maintain a fair
25 trade environment to allow us to succeed.

1 The most important thing is to continue the
2 order. Secondly, vigorous efforts need to be made to
3 improve enforcement of the order. Thirdly, we'll
4 continue to ask other government agencies to utilize
5 existing authority to ensure compliance with the
6 order. Finally, I want to express my appreciation to
7 the Commission for voting for relief in 2004, which
8 has been key to the survival of the industry and to us
9 and our 85 employees in Bradford Vermont. We hope you
10 will give favorable consideration to continuing this
11 crucially important order for an additional five
12 years. Thank you.

13 MR. CAPERTON: Good morning. I am Gat
14 Caperton, President of Tom Seely Furniture located in
15 Berkeley Springs, West Virginia. We manufacture solid
16 wood furniture including dining, living and bedroom
17 furniture. The anti-dumping order has absolutely
18 allowed our company to continue to produce bedroom
19 furniture in this country. The filing of the anti-
20 dumping petition in 2003 was pivotal in our decision
21 to invest \$2.5 million to expand the size of our
22 plant's finishing room by 10,000 square feet and to
23 upgrade related existing facilities.

24 While our capital expenditures have
25 consistently exceeded depreciation since the

1 acquisition of business in 1996, these 2004
2 expenditures marked our first large-scale investment
3 in the business since its acquisition. This
4 investment significantly improved our manufacturing
5 productivity, quality and capacity. We are in fact
6 successful in increasing the value of our shipments of
7 bedroom furniture above the 2003 level during the 2004
8 to 2007 period until the recession sank our overall
9 business in 2008 and 2009.

10 We continue to invest in new machinery and
11 facility upgrades. This summer, we completed the
12 installation of a wood biomass boiler, a \$500,000
13 investment. The boiler uses sawdust and scrap to heat
14 the facilities. Assuming that the anti-dumping order
15 stays in place, we plan to purchase in 2011 a second
16 computer-controlled router, an estimated cost of
17 \$350,000. This additional equipment will further
18 improve our efficiencies and add roughly \$10,000 a day
19 of capacity to our woodworking operation and leads to
20 the addition of initially three and eventually 12 new
21 employees.

22 The revocation of the anti-dumping order
23 would have a major negative impact on our operations.
24 Without the dumping duties, we could expect Chinese
25 imports to sharply cut into our sales to national and

1 regional retailers. In addition, these increased
2 imports from China by these large retailers would make
3 our small retail customers less competitive and
4 further reduce our customer base.

5 Impact of the revocation of the order would
6 extend beyond our bedroom production and threaten the
7 viability of our entire manufacturing company. The
8 result would be declines in our production,
9 employment, financial performance and the inability to
10 make new capital improvements. The revocation of the
11 anti-dumping order would also have a detrimental
12 impact on our supplier base.

13 A competitive supply of raw materials and
14 components is critical to our business. Most of our
15 suppliers rely on multiple U.S. bedroom furniture
16 manufacturers for the continuation of their business.
17 In this way, our U.S. competitors are ironically
18 critical to our success. In addition to the damaging
19 effects of the revocation of the anti-dumping order
20 would be the resumption of severe price deflation that
21 occurred prior to the imposition of the order.

22 While such price deflation has obvious
23 negative effects on U.S. furniture producers, it also
24 damages the small local retailers who sell our
25 products. For retailers, price deflation reduces

1 their cash margin, that is dollars per unit of sale,
2 and requires more sales to cover their fixed overhead.
3 For retailers in general, the most effective response
4 to price deflation is expanding the scale of their
5 operation to reduce per unit costs. Thus, price
6 deflation significantly favors large-scale retailers
7 over smaller-scale retailers.

8 My company shipments are equally split
9 between small, local furniture retailers and large
10 regional and national retailers. Revocation will cut
11 into our sales to larger retailers, damage our smaller
12 retailers and harm our supply base. We need all three
13 to operate successfully. For all these reasons, I've
14 come here today to urge the Commission to continue the
15 anti-dumping order. Thank you.

16 MR. DORN: Before our last witness speaks, I
17 just want to point out that we'll be submitting to the
18 Commission with our post-hearing brief hundreds of
19 letters from small retailers, the types of retailers
20 that Mr. Caperton just discussed who support the
21 continuation of the anti-dumping order because they
22 fear that the surge of imports from China would make
23 them uncompetitive with the large-box retailers.
24 Thank you. And now Ms. Silvers.

25 MS. SILVERS: Good morning. My name is

1 Rosie Silvers. I have been employed in
2 Johnston/Tombigbee bedroom furniture plant in
3 Columbus, Mississippi for 35 years. I am also the
4 Vice President of Carpenters Industrial Council Local
5 2305. I'm here on behalf of Local 2305, the
6 Carpenters Industrial Council, on behalf of Carpenters
7 Local 721 in Los Angeles, California, that represent
8 workers at the Sandberg Furniture Company, and on
9 behalf of all U.S. workers making bedroom furniture.

10 I worked on a furniture line that prepared
11 already-assembled furniture for painting. I check
12 each piece for imperfections or residue that cause
13 problems when the paint is applied. Chinese imports
14 have had a terrible impact on our plant. In addition
15 to the lost jobs, the remaining workers have had to
16 make sacrifice with respect to pay and benefits to
17 keep our plant competitive with Chinese imports of
18 bedroom furniture.

19 My hourly wages is \$10.04. Starting in
20 August, our members had to absorb part of their
21 healthcare premium because the company is not
22 financially able to pay the whole amount. I pay \$13
23 per week that covers only me, not my husband, who is
24 partially disabled. We do not have a retirement plan
25 because the company has not been in the financial

1 position to make a contribution. This company is
2 barely keeping its head above water. If the duties go
3 away on Chinese wooden furniture imports, I have no
4 doubt that our plant will close. It's barely
5 surviving now with duties in place.

6 I am 55 years old. I'm the only wage earner
7 in my family. I have to stretch my paycheck to cover
8 too the expenses of my two grandchildren who live with
9 me. Each month, I have to roll bills over to the next
10 month. I have no choice. I know that many others who
11 work in this plant have similar problems. We're
12 struggling, but of course unemployment would be much
13 worse.

14 I talked to some of the people who were laid
15 off from this plant, and they cannot find other jobs.
16 My cousin was laid off from Johnston/Tombigbee last
17 March. She's having really a hard time getting only
18 unemployment benefits. She recently called me and was
19 so upset because she couldn't pay a \$200 light bill.
20 It hurt so bad. You have the information about the
21 decline in employment in the bedroom furniture
22 industry and decline in wages.

23 The Department of Labor certified over
24 12,000 workers at over 50 plants for trade adjustment
25 assistance from 2001 through 2004. I can tell you

1 that there's a lot more pain than what you see in
2 those black and white numbers. People and their
3 families are suffering badly because of unfair
4 imports, and there aren't enough jobs out there for
5 those who were laid off even after retaining.

6 There's no question that unfair price
7 imports from China had badly injured American workers
8 producing wooden bedroom furniture, and it's almost
9 certain that if the anti-dumping duties go away, the
10 wooden bedroom furniture work force will shrink to
11 nothing. We expect trade laws to be properly enforced
12 to protect our jobs against unfair, illegal
13 competition.

14 We urge the Commission to make a
15 determination that lifting the duties on Chinese
16 wooden bedroom furniture would cause serious harm to
17 working families in the United States. Thank you.

18 MR. DORN: Contrary to Respondents, there is
19 no benefit test in sunset reviews. In any event, the
20 order has clearly benefitted this domestic industry.
21 First, the order and the increasing cash deposit rates
22 have caused subject imports to decrease sharply after
23 15 straight years of steadily increasing. As shown on
24 Slide 14, after increasing at a compound annual rate
25 of 57 percent from 2001 to 2003, the rate of increase

1 fell from 2003 to 2006 and became negative from 2006
2 to 2009.

3 As shown on the next slide, in February
4 2007, Commerce announced the preliminary results of
5 the first administrative review, a weighted average
6 dumping margin of 63 percent. The final margin was 36
7 percent, but it was still five times higher than the
8 seven-percent margin from the original investigation.
9 As shown on the next slide, the cash deposit rates
10 remained much higher than seven percent in all four of
11 the completed reviews. Also, the number of separate
12 rate Respondents with rates higher than seven percent
13 has substantially increased.

14 Finally, the PRC-wide entity rate applicable
15 to thousands of Chinese producers also has increased.
16 As a result, after increasing each and every year from
17 1991 to 2006, imports from Chinese fell from 2006 to
18 2007, fell from 2007 to 2008, fell from 2008 to 2009.
19 Overall, imports from China decreased 59 percent from
20 2006 to 2009, and that's due to the order. Second,
21 the state of the industry improved prior to the crash
22 in the housing market in the second half of 2006 as
23 you've heard from our witnesses.

24 The industry's operating income margin
25 declined during the POI but increased to 6.2 percent

1 in 2005 and remained above the 2003 level in 2006.
2 Similarly, capital expenditures plunged during the
3 POI, but increased from 2004 to 2006, and the
4 industry's investments during the POI resulted in a
5 39-percent increase in worker productivity from 2004
6 to 2009. Third, the industry's performance would have
7 been far worse during the recession if the order had
8 not been in place.

9 For example, after declining every year
10 since at least 2001, the domestic industry's market
11 share stabilized in 2007, 2008 and 2009 as shown on
12 the slide, while dumped imports receded from the
13 market. Applying the statutory factors to the record
14 evidence, it is clear that revocation would lead to
15 continuation of material injury. To begin with, no
16 one can doubt the fact that his domestic industry is
17 highly vulnerable.

18 U.S. consumption of bedroom furniture has
19 plunged since 2005. The industry's condition in 2009
20 was worse than in any year during 2001 to 2009 with
21 respect to virtually every performance indicator that
22 the Commission looks at. Capacity utilization fell to
23 55 percent, and the industry had an operating loss
24 equal to three percent of sales. Next, the likely
25 volume of imports would be significant.

1 Indeed, they were significant even in 2009
2 with the duties in place, but there are multiple
3 categories of evidence in this record showing that
4 imports would increase upon revocation: First, the
5 import trend during the POI when the imports were not
6 constrained by the anti-dumping discipline; second,
7 the admissions in questionnaire responses of the
8 purchasers, the importers and the foreign producers as
9 to what would happen when the duties come off; fourth,
10 China's massive capacity that is highly dependent on
11 exports to the U.S. market.

12 Looking at Slide 20, you'll see an example
13 of Dalian's "American Furniture Industrial Park"
14 complex that was designed for 22,000 employees and 30
15 finishing lines. As shown on the next slide, Fairmont
16 Designs has three factories in China and 4,500
17 employees according to its website, which we just
18 visited recently. As indicated in the prehearing
19 report, China remains the world's largest exporter of
20 bedroom furniture, and the United States remains the
21 world's largest importer of bedroom furniture.

22 Finally, the Chinese government strongly
23 promotes furniture exports. Among other things, in
24 response to the recent recession, it aggressively
25 raised VAT rebates from nine percent in 2008 to 15

1 percent in 2009 to stimulate exports. Sixth, subject
2 imports can increase rapidly through numerous
3 established channels of distribution, which are
4 detailed in our prehearing brief, and seventh, subject
5 producers can easily shift production from nonbedroom
6 to bedroom furniture.

7 Next, revocation will result in negative
8 price effects. Nobody in this room is going to
9 contend that there's no underselling here. The
10 underselling was substantial in the original
11 investigation and remained substantial during the
12 period of review, and the prehearing report makes
13 clear that there is a moderately high degree of
14 substitutability between the U.S. product and the
15 imports and that price remains a major consideration
16 in purchasing decisions.

17 Finally, given the variable cost structure
18 of this industry, the impact of the lower prices is
19 necessarily going to be less production, less
20 employment and closed plants. That ends our direct
21 presentation. Thank you.

22 CHAIRMAN OKUN: Thank you, and before we
23 begin our question, let me take this opportunity to
24 thank all of you for being here today and particularly
25 industry witnesses and Ms. Silvers representing the

1 employees' union. We very much appreciate the time
2 you've taken away from your regular business to come
3 here and answer questions, and with that, we will
4 start with Commissioner Pinkert, and if I could just
5 remind you when you respond to a question just to
6 repeat your name. There's a lot of you out there, and
7 it will help the court reporter. Thank you.

8 COMMISSIONER PINKERT: Thank you, Madame
9 Chairman, and I thank all of you for being here today
10 to testify and to help us to understand what's
11 happening and what's likely to happen in this
12 industry. I want to begin with a question that
13 relates tangentially to the exhibit that you submitted
14 as Exhibit No. 1, which includes some data about the
15 ratio to total subject imports of the imports by
16 various producers. Is it your contention that the
17 domestic opposition, the opposition from domestic
18 producers to the order, is more dependent on subject
19 imports than the Petitioners' groups?

20 MR. DORN: That's certainly correct, and we
21 can provide data on that in the post-hearing brief.

22 COMMISSIONER PINKERT: That would be
23 helpful, and in particular to look at the dependence
24 of those producers on the subject imports as opposed
25 to their ration of the total subject imports.

1 MR. DORN: We'll be pleased to do that.

2 COMMISSIONER PINKERT: Thank you. Now, you
3 probably all recall from the testimony that we heard
4 from the other side that there's some dispute about
5 the causation of domestic industry performance
6 declines or financial performance declines in 2006 and
7 2007. Can the panel give me some understanding of
8 what happened and in particular what caused the
9 declines in financial performance during 2006 and
10 2007?

11 MR. DORN: Well, I just point out there was
12 a slight decline in 2006, but 2006 was still better
13 than 2003, and as we've indicated in the materials we
14 submitted, the housing crash really began the second
15 half of 2006, so the downturn in demand began in the
16 second half of 2006, and that would have begun to have
17 a downward impact on profitability and then that
18 continued in 2007, 2008 and 2009.

19 COMMISSIONER PINKERT: Do any of the company
20 witnesses on the panel want to testify about
21 conditions in 2006 and what caused them?

22 MR. PRILLAMAN: Glenn Prillaman, Stanley
23 Furniture. There are really three things that drive
24 the wooden bedroom furniture demand. As I mentioned
25 in my testimony, there's the housing market, the

1 largest, consumer confidence and then consumer's
2 access to credit, and since 2006, we've been seeing
3 each of those indicators worsen, and you tell me when
4 the housing marketing can turn around, and we can
5 probably predict when the wooden bedroom furniture
6 business will turn around.

7 COMMISSIONER PINKERT: Dr. Button?

8 MR. BUTTON: Thank you. The Petitioners'
9 prehearing brief at Exhibit 3 contains a fairly
10 detailed discussion of the specific housing market
11 statistics and figures indicating the peak of the
12 housing boom in the second quarter of 2006 and the
13 very steep decline thereof in both housing starts, new
14 housing sales and related indicia.

15 To a certain extent, these preceded the
16 publicly visible onset of the recession for many, and
17 as the members of the industry described, it finds
18 itself not infrequently an unfortunate leader in
19 economic downturns as well as unfortunately a somewhat
20 delayed recipient of the benefits of recovery during
21 downturns. I ask other members of the industry to
22 take that up.

23 MR. PRILLAMAN: I will just add that we're
24 all producing and selling a disposable, durable good,
25 and if you look at the automobile industry, you've

1 seen some of the same trends. Certainly, wooden
2 bedroom furniture is affected by housing. I'm not
3 sure how much else we could comment on how important
4 the housing market is to the wooden bedroom furniture
5 business.

6 COMMISSIONER PINKERT: Thank you. Is
7 somebody else looking to testify to that question?

8 MR. W. BASSETT: Wyatt Bassett, and thank
9 you all for letting us be here today. We saw a very
10 definite benefit and improvement to our performance
11 after the order went in place, and I'll tell you that
12 not only when the order went in place, but when the
13 first administrative review started. When the order
14 went in place, the rate was about seven percent.

15 The rates in the following administrative
16 reviews starting with the first one are substantially
17 higher than that, about four to six times that, but
18 the benefit we saw helped us to make the decision to
19 spend over \$9 million in capital expenditures in one
20 year during that period as we saw the improvement.
21 What happened following that was the disappearance of
22 about a third of overall demand for wooden bedroom
23 furniture in this country.

24 Frankly, none of us saw that coming, and the
25 reduction by a third in demand has offset every other

1 factor affecting our business and has resulted in the
2 performance you've seen.

3 COMMISSIONER PINKERT: Thank you. Dr.
4 Button, last one on this question.

5 MR. BUTTON: Thank you. Just as an
6 afternote as to the vulnerability of the industry,
7 housing starts have not recovered rapidly as you're
8 aware. Just also please be aware that in the month of
9 August, the housing starts were at a level which are
10 only 29 percent of the level it was in 2005.

11 COMMISSIONER PINKERT: Thank you. Now
12 turning to the nonsubject imports, and I'm
13 particularly interested for purposes of this question
14 in the nonsubject imports from Vietnam, what caused
15 the substantial increase in those imports in 2008 and
16 more generally, are nonsubject imports replacing
17 subject imports in the U.S. market?

18 MR. DORN: Well, I think just looking at the
19 import data, you can see that as the order has taken
20 its effect and the imports from China have receded
21 from the market, there has been a pickup in imports
22 from Vietnam, but if you took the order off, we think
23 that China would clearly become the dominant supplier
24 to the United States again because of so many
25 comparative advantages it has relative to Vietnam.

1 Its industry is hugely greater than that of Vietnam.

2 It's got an infrastructure for all of its
3 suppliers in terms of veneers, in hardware, in
4 finishes and everything. It's right there in China,
5 so they've got a supply stream for everything they
6 need. They've got multiple ports as Wyatt Bassett
7 testified before to export from. We calculated in our
8 prehearing brief that the insurance and freight from
9 Vietnam is about 14 percent higher than that from
10 China.

11 The industry in China is more mature. They
12 have a larger range of products. They're into all
13 market segments, and they have all these established
14 relationships with the New Classic, the Fairmont
15 Designs, Great River, the ones that are detailed in
16 our brief, those existing marketing channels that give
17 the Chinese an extreme advantage over Vietnam but for
18 the anti-dumping duties.

19 COMMISSIONER PINKERT: Ms. Lutz?

20 MS. LUTZ: Jennifer Lutz with ECS. I'd also
21 like to add that although the imports from Vietnam
22 increased during the period of review, they are still
23 at an absolute level that is less than half of China
24 at its peak.

25 MR. W. BASSETT: I'll jump in for one quick

1 second if that's okay?

2 COMMISSIONER PINKERT: Certainly.

3 MR. W. BASSETT: First of all, China has
4 shipped more wooden bedroom furniture to the United
5 States in a 12-month period than China and Vietnam
6 ship together today. Their shipments are down by
7 about 60 percent. That capacity has not gone away.
8 In fact, the shipments from Vietnam added on to all
9 that capacity makes the Chinese threat even that much
10 more. You've got even more overcapacity today in
11 bedroom production than you did when we talked to you
12 five or six years ago.

13 In addition to that, the Chinese industry is
14 not only larger than the industry in Vietnam, it
15 dwarfs the industry in Vietnam. In addition to there
16 being hundreds of Chinese bedroom manufacturers that
17 have focused on the U.S. market, there are 30,000
18 wooden factories in China, wooden furniture factory
19 factories, who can produce for the U.S. market and
20 would be able to if the order comes off.

21 As a comparison of scale, the population of
22 China is I believe somewhere between 15 and 20 times
23 the population of Vietnam.

24 MR. SANDBERG: Commissioner, if I may?

25 COMMISSIONER PINKERT: Thank you. Yes.

1 MR. SANDBERG: John Sandberg. In my
2 testimony, I had stated that we had done some research
3 in Vietnam, and to my knowledge, there are only two
4 producers making paper laminate bedroom in Vietnam,
5 and to my knowledge, neither of those export to the
6 United States.

7 COMMISSIONER PINKERT: Thank you. My time
8 is up, but I appreciate the answers.

9 CHAIRMAN OKUN: Thank you. Let's see. Mr.
10 Dorn, I'll start with you and then have questions for
11 the producers as well. As you know, since that
12 review, we have a counter-factual question posed to
13 us. Respondents have pointed out in their briefs, and
14 I think WilmerHale in particular, that the Petitioners
15 said many things at the original investigation about
16 what would happen if an order were imposed, including
17 if final duties are imposed, we expect to hire back
18 more workers and eventually to achieve full-capacity
19 utilization.

20 In addition, if final duties are imposed, we
21 do not expect other Asian suppliers to replace imports
22 from China. The evidence, looking at the record as a
23 whole here, demonstrates that neither of those
24 expectations occurred for the domestic industry as a
25 whole. Table 3-10 of the public staff report

1 indicates that production of related workers has
2 steadily declined. Table 3-4 shows that capacity
3 utilization has not been close to full levels.

4 In addition, nonsubject imports from Vietnam
5 have increased 340 percent over the term 2004 to 2009,
6 so two questions. One, understanding the recession
7 took place, which I think is why you're getting a lot
8 of questions about just post-order describing what
9 improvements, but my first question would why wasn't
10 the industry able to meet the predictions they had
11 when the order was imposed?

12 MR. DORN: Well, I think certainly you
13 couldn't have predicted the recession, which is the
14 worst housing correction in 60 years.

15 CHAIRMAN OKUN: Right.

16 MR. DORN: So no way there. If you look at
17 the confidential record, you'll see a lot more
18 evidence along the lines of what you've heard this
19 morning about how the order did benefit the industry
20 in terms of their performance in 2004 and 2005 and
21 into 2006 and their increased investment. You've
22 heard Mr. Prillaman talk about bringing back 40
23 percent of production of youth bedroom furniture in
24 Asia that's he's brought back to the United States.
25 He's going to produce 100 percent in the United

1 States.

2 You heard Mr. Berry testify that prior to
3 the order, he imported product from China, which he
4 sold in the hospitality sector. You heard him testify
5 that he doesn't do that anymore. He brought that back
6 to the United States. Plus, we had no control over
7 some companies. Furniture Brands is an example that
8 was on a path at the time of the original
9 investigation of shedding U.S. plants and U.S.
10 workers. It pretty much told Wall Street that's its
11 future, and it stayed down that path.

12 It was a big company, so that alone affects
13 a lot of the data you're seeing, but there are other
14 companies too that just gave up on the U.S.
15 manufacturing platform consistent with a path they had
16 begun going back to 2000, 2001. They just stayed on
17 that path.

18 CHAIRMAN OKUN: Go ahead. Finish.

19 MR. DORN: The folks here are here because
20 they're committed to producing in the United States,
21 and in terms of your job, in terms of looking to the
22 future what's going to happen upon revocation, I think
23 the record is clear that revocation is going to result
24 in continuation of material injury and adversely
25 affect these producers and their workers.

1 CHAIRMAN OKUN: Mr. Bassett, yes, please?

2 MR. J. BASSETT: When we first petitioned
3 the Commission, here's what I want you to understand,
4 there was an absolute stampede going on. We were told
5 by everybody, every pundit, Wall Street person, give
6 up. It's over. It's over this country. I mean, we
7 stood in front of a stampede. I know you might look
8 at say why haven't you done better. What you have to
9 understand in my opinion, there would be nobody here
10 today if we had not done this. We turned a stampede.
11 Now, we didn't bring it to a screeching halt, but we
12 turned it, and we slowed it down, and we started
13 building our way back.

14 I'll just give you one instance. One of the
15 great benefits we had, we had employees leaving, even
16 though we wanted to stay here, and they said John, you
17 can't do it. Once we filed and all the commotion,
18 they said you really mean what you say, don't you? I
19 said absolutely, and they stopped leaving.

20 CHAIRMAN OKUN: I appreciate that, and I
21 guess, Mr. Dorn, and perhaps, Mr. Button, one of the
22 questions I have about the argument again, and I
23 understand the testimony of all the producers here and
24 the specific benefits they've described to the order,
25 which is does it require the Commission to do any

1 different type of analysis rather than our taking the
2 industry as a whole to agree with your argument? Do
3 you have to have more related parties taken out, or do
4 you think by looking at the industry as a whole, as we
5 have in our records --

6 MR. DORN: No. We think you ought to look
7 at the record as a whole of course, but a major
8 defense of the Respondents is this ineffectiveness of
9 the orders, right?

10 CHAIRMAN OKUN: Well, let me stop you
11 because I agree with you that we do not have to look
12 for benefit of the order. I think the reason I'm
13 asking you questions about it goes to more of the
14 causation element in a sunset review, which is if
15 there is no improvement, if it's a steady decline, and
16 again I'm just characterizing the Respondents'
17 argument here, if there's a steady decline in all the
18 performance indicators, does that mean that subject
19 imports were never more than minimal or tangential
20 cause of injury at all because you just saw the
21 declines continue?

22 That's why I'm asking it, not about the benefit
23 of the order.

24 MR. DORN: Well, what you should be looking
25 at is the vulnerability of the industry as a result of

1 the downward performance trends. There is a provision
2 in the statute that says you may consider any
3 improvement in the state of the industry that is
4 related to the order, and that applies to a situation
5 like we had in cement from Mexico. We came to a
6 sunset view, and the operating income was 32 percent,
7 and we wanted you to continue the order, and we were
8 able to show that improvement was related to the
9 order, so that's at one continuum. If you have a very
10 healthy industry, you look at whether there's been any
11 improvement that's related to the order. We're at the
12 opposite end of the continuum where you have a highly
13 vulnerable industry with performance indicators at a
14 very low level, and the statute says you should look
15 at whether there would be a continuation of material
16 injury. It's very clear you don't need to see that
17 there's been any improvement as a result of the order.

18 I'd also say that the effectiveness of this
19 order has been impeded by circumvention, by duty
20 absorption, by failures of companies like Starcorp to
21 pay their anti-dumping duties, and I would further
22 note that the benefits of the order are greater going
23 forward as a result of these administrative reviews.
24 As you've seen from the data, once the cash deposits
25 ran up, imports from China have gone down

1 substantially, so looking forward, we think the impact
2 of the order is obvious in terms of restraining the
3 illegally dumped imports from China.

4 CHAIRMAN OKUN: Okay. Dr. Button?

5 MR. BUTTON: Thank you. The Respondents are
6 using the historical performance of the industry after
7 the order as a predictor of what the impact removal
8 order will be in the future. In other words, if it
9 didn't absolutely reduce the imports and volume after
10 the order was put in place, the imports will not go up
11 if the order is revoked, and I think there's a logical
12 misstep in that.

13 You need to look independently at the
14 evidence if the order is revoked, what is going to
15 happen, so you then look to issues of capacity in
16 China, the push, the pull. The pull, why would the
17 Chinese come back to the U.S. market? Prices are
18 higher here. How about the push side? They have
19 massive over-capacity in their own market. There are
20 many companies that are dedicated or exclusively
21 producing for the U.S. market.

22 They've put millions of dollars into
23 logistics and marketing and distribution trains into
24 the United States market. There are plenty of reasons
25 for them to come here, but also, the chart that Mr.

1 Dorn showed that is on Exhibit 14 I think is telling.
2 There was an impact on the imports with the
3 preliminary determination, the final determination.
4 The rate of increase dropped dramatically.

5 Then, what happened when the administrative
6 review came into effect in 2007? It dropped very
7 steeply, much more steeply than apparent consumption,
8 which dropped by 12 percent, whereas the other players
9 in the market, Vietnam went up, Malaysia and Indonesia
10 were flat. The order had traction in 2007, and the
11 domestic industry which had the stabilizing market
12 share, at 21 percent, was a beneficiary.

13 CHAIRMAN OKUN: Mr. Dorn?

14 MR. DORN: If I could say one other thing in
15 terms of the legal standard? We agree with the
16 Commission's articulation of the standard in its
17 remand determination on August 25 in the NSK 2
18 litigation where you said, "Even if nonsubject imports
19 or some other factors are likely to cause material
20 injury to the domestic industry upon revocation of an
21 order, subject imports can also be a cause of such
22 injury to the domestic industry as long as they
23 represent more than a minimal or tangential cause of
24 the material injury that is likely to be suffered by
25 the domestic industry upon revocation."

1 In looking at the body of evidence and the
2 questionnaire response in this case, hearing the
3 testimony from these witnesses, looking at the data,
4 it's inconceivable to me how you can say that the
5 revocation of order is not going to have more than a
6 tangential or minimal cause of injury to this
7 industry.

8 CHAIRMAN OKUN: Mr. Bassett, do you have
9 something? I do want to go back to the producers.
10 Just something quick because my red light's on.

11 MR. W. BASSETT: I know we have a problem
12 with time, but whenever it's appropriate, I'd love
13 another opportunity.

14 CHAIRMAN OKUN: On my next round, I'll come
15 back to the producers. I very much appreciate that,
16 and with that, I'll call on Commissioner Lane.

17 COMMISSIONER LANE: Good morning. I want to
18 welcome all of you back who were here five years ago,
19 and I also want to welcome Mr. Caperton here. I'd
20 like to note for the record that I served in the West
21 Virginia legislature when his father was governor of
22 West Virginia, so it's nice to see him here this
23 morning. I have a question for you later, but I want
24 to start first with a question of Dr. Button.

25 In a sunset review, how should we look at

1 the effect of the recession as opposed to how we would
2 look at a recession and its effects in an original
3 investigation?

4 MR. BUTTON: That is a very germane and
5 interesting question from an economic point of view.
6 In an original investigation, you have issues of
7 causation. If there is injury apparent in the
8 condition of the domestic industry, where did it come
9 from? Was it because of the recession and the decline
10 in demand or alternatively perhaps from the increase
11 in subject imports. There traditionally you will
12 sometimes put substantial attention on the issue of
13 market shares. Have the subject imports gained market
14 share in a down market overall?

15 You don't have to face that particular
16 situation in sunset reviews. In the sunset review,
17 what you see here in terms of the impact of the
18 recession is primarily an issue of vulnerability and
19 what would be the impact of the renewal of an import
20 flow on an industry already coping with the recession?
21 Here, I think as Mr. Dorn has itemized and that
22 members of the industry have described in detail, the
23 industry is suffering severely from the overall
24 decline in demand, which was by one-third since 2005,
25 which has affected every aspect of their industry.

1 If into that situation you have a new factor
2 with the resurgence of subject imports, I think that's
3 what you would have to consider as a new and
4 endangering situation.

5 COMMISSIONER LANE: Okay. Thank you. Now,
6 Mr. Caperton, I have seen catalogs of your furniture,
7 and I would characterize it as very high end. Are
8 there Chinese producers of wooden bedroom furniture
9 that are comparable in quality to your furniture, and
10 if not, are you saying that it's the affect of the
11 Chinese furniture on your retail outlets that are
12 causing you injury?

13 MR. CAPERTON: In a consumer's eyes, it's
14 very hard to differentiate the quality. I think in a
15 consumer's eyes, a consumer could quickly and often
16 would compare ours to something from China and assume
17 the same quality, and at that point it becomes price.
18 It's been a negative impact at that point.

19 COMMISSIONER LANE: Okay. Thank you. Mr.
20 Dorn, did you have something you wanted to add?

21 MR. DORN: Yes. You recall the testimony
22 from Maria Yee in the investigation five years ago, a
23 very high-end producer in China, they sell products at
24 Room and Board here in D.C. I went by Room and Board
25 and asked if they had any bedroom furniture from Maria

1 Yee, and they said no, we used to have bedroom. We
2 only have other products, but we don't have bedroom
3 because of the anti-dumping order, and that's a very
4 high-end Chinese producer that would have quality very
5 comparable to Mr. Caperton's products.

6 COMMISSIONER LANE: Okay. Thank you. Now,
7 Mr. Dorn, I have a question for you, and believe me I
8 think that I understand the record, and I'm not going
9 to be diverted by anything that you characterize as a
10 red herring, but I have to say that I am very, very
11 troubled by the settlement agreement, and I cannot
12 figure out for the life of me how they are actually
13 legal, so could you explain to me why these agreements
14 that are being entered into and the cash that's being
15 paid are not somehow contrary to the law or at least
16 contrary to what Commerce is supposed to be doing in
17 these administrative reviews?

18 MR. DORN: I'd be pleased to. I appreciate
19 the question. I don't fault the Chinese respondents
20 at all for approaching us to do these settlements. I
21 remember hearing --

22 COMMISSIONER LANE: No. I want you to tell
23 me that they're legal, and explain to me how they're
24 legal.

25 MR. DORN: They are legal. They are

1 absolutely legal. In our society, we have lots of
2 litigation, but most litigation is settled because
3 businessmen want to minimize risk of litigation, and
4 they want to reduce legal fees, and that's all we're
5 talking about right here. These are voluntary
6 settlements, which the Chinese producers, they have a
7 legitimate reason to come to us to try to eliminate
8 the risk of administrative review and to eliminate
9 their legal expenses.

10 COMMISSIONER LANE: But actually aren't you
11 paying off people not to bring lawsuits? I mean, that
12 just doesn't sound right.

13 MR. DORN: No. We're not paying off anybody
14 not to bring lawsuits. It's all about the
15 administrative reviews. Vaughan-Bassett has requested
16 administrative reviews in each review. The Committee
17 itself has requested reviews, and as a result of those
18 requests, we receive quantity and value information
19 that the foreign respondents have to give to the
20 Department of Commerce, and then we have 90 days to
21 decide how to prioritize and determine who we want to
22 have reviewed.

23 We have a right to withdraw anybody we've
24 put on the list. Of course, any Chinese producer can
25 insist on being reviewed. We have no control over

1 that. Any other U.S. producer can request reviews.
2 U.S. importers can request reviews. We don't control
3 the situation by any means, but there's certainly
4 nothing wrong with us entering into a voluntary
5 agreement when a Chinese producer comes to us and says
6 we'd like not to be reviewed for this one review.
7 There's nothing permanent about this.

8 We can just postpone having that company
9 reviewed for one year, and then have it reviewed the
10 next year, but why shouldn't we be able to do a
11 voluntary settlement? There's certainly no legal
12 prohibition against it. This is not the only case
13 where this happens. I'm sure you've read about the
14 settlements in shrimp, which are very, very common.
15 There was an article in *Corporate Counsel* where Ken
16 Pierce, a respondent's attorney, recommended to
17 respondents they consider this route as a way to
18 minimize the risk of the retroactive system that we
19 have and to reduce their legal fees.

20 I have never gone to the Department of
21 Commerce and asked for their blessing on these. On
22 the other hand, folks at the Commerce Department know
23 they go on. They've never said anything against them.
24 Every counsel here in this room representing
25 Respondents has come to me proposing these voluntary

1 agreements. I'm sure they think they're proper, or
2 they wouldn't be doing that, and no body has ever
3 complained to the Department of Commerce about these
4 agreements.

5 This is something that happens at the
6 Commerce Department, and you would think that would be
7 the Agency that you would direct complaints about
8 these agreements to if you had any such complaints.

9 COMMISSIONER LANE: Could you tell me how
10 the money is divided?

11 MR. DORN: We can do that in a confidential
12 submission. We'd be glad to, but as Mr. Bassett has
13 testified, most of the money has been used to fund
14 legal fees in fighting 52 law firms going back to 2003
15 and set aside for funding our appearance here at the
16 sunset review and going forward. I mean, the
17 questionnaire responses you have indicate the actual
18 receipts that have been booked by members of our
19 committee on their financials. That's right there, so
20 you'll see how much that is, and then the rest is
21 being used to enforce the order.

22 This industry could have just sat back and
23 not done anything. It didn't have to request any
24 administrative reviews. It could have just said 7.24
25 percent were most of them. That's fine.

1 COMMISSIONER LANE: No. I'm not arguing
2 about that. I was just trying to figure out how this
3 procedure was legal, and I wanted your explanation on
4 the record. Mr. Bassett?

5 MR. J. BASSETT: Thank you, Commissioner
6 Lane, at Vaughan-Bassett, we request reviews of the
7 Chinese respondents in addition to the Committee
8 requesting reviews. We don't import any furniture
9 from China. We have no Chinese suppliers. In fact,
10 over 97 or 98 percent of everything we sell we produce
11 in our own factories. Substantially all of the
12 proceeds from these settlements have gone to pay legal
13 fees to support the order.

14 I think in the opening statement on Mr.
15 Silverman, he said cash payments can be more
16 profitable than producers producing product here when
17 substantially all those funds go to the enforce the
18 order. That statement can't be true. We have every
19 right to request reviews of every Chinese respondent
20 or any Chinese respondent regardless if there are any
21 settlements or not, and they can't take away that
22 right. That right's there to protect our workers.

23 In fact, in the first four completed
24 administrative reviews, we've not only been able to
25 identify very egregious dumpers, we've been successful

1 in Commerce investigating them and giving them
2 accurate anti-dumping duties that are four or five or
3 six times what the original rate was, 30, 40, I think
4 even more percent in some individual company's cases.
5 Excuse me.

6 COMMISSIONER LANE: Well, I'm running out of
7 time here, so we'll come back to you.

8 MR. J. BASSETT: Okay. Thank you.

9 COMMISSIONER LANE: Thank you.

10 CHAIRMAN OKUN: Commissioner Pearson?

11 COMMISSIONER PEARSON: Thank you, Madame
12 Chairman, I'd also like to welcome all of you. I know
13 many of you have traveled quite a ways, and all of you
14 have taken time off from your businesses, and I
15 appreciate your being here. I'd like to just start
16 with a brief opening comment regarding what I consider
17 the best piece of investigative journalism that I've
18 ever seen in an industry publication come out of
19 *Furniture Today*, the three-part series regarding these
20 anti-dumping duties and the effects on the industry.

21 I found the articles to be thorough,
22 balanced, articulate and written with considerable
23 sensitivity for the various players in the industry
24 that are affected by this, and so I just thought I'd
25 say something nice about what Thomas Russell, Jay

1 McIntosh, Heath Combs and Clint Engel, I think those
2 were the four people whose bylines were in the
3 articles, so I just want you to know based on my
4 experience with other industries and other
5 publications, I think you guys are really well served
6 by your press, so let them know that I said something
7 nice about them, okay?

8 Dr. Button, I think this is for you, and it
9 goes to causation kind of following up on what the
10 Chairman was discussing. Although the numbers are not
11 public, permit me to characterize imports of subject
12 product as continuing to rise through 2006 and
13 declining thereafter. The highest levels of earnings
14 for the domestic industry, which are public of course,
15 were seen in the first three years of the period of
16 review, the same time when the subject imports were
17 rising.

18 We had operating income over \$80 million in
19 2005, which wasn't a lot, an operating ratio of about
20 6.2 percent, and I'm not saying that's terribly high
21 by the standards we see from some other industries,
22 but yet it had to feel good for those of you who were
23 able to make some money. So based on what appears to
24 be a positive relationship between subject imports and
25 earnings by the domestic industry, why should we

1 conclude that any injuries suffered by the domestic
2 industry during the period of review was by reason of
3 subject imports?

4 MR. BUTTON: Thank you, Chairman Pearson.

5 COMMISSIONER PEARSON: Commissioner.

6 MR. BUTTON: I'm sorry. I beg your pardon.
7 Commissioner.

8 COMMISSIONER PEARSON: I'm glad not to have
9 the headaches of the chairmanship. A far more capable
10 commissioner has those responsibilities now.

11 MR. BUTTON: I apologize for my mistake.
12 Thank you very much, Commissioner Pearson. I believe
13 the Commission has plenty of reason to make a
14 conclusion that the order has had substantial benefit,
15 and correlation is not causation as I think we've
16 heard said many times. With the orders, things did
17 change with respect to the subject imports, and I
18 refer again to Exhibit 14 where something that did
19 happen is that the rate of increase of the subject
20 imports did decline materially.

21 That had an effect we believe throughout the
22 market in terms of the ability of the producers to
23 achieve substantially greater financial return. Now,
24 it didn't make them go away. It didn't cause a
25 decline in the subject imports at that time. One of

1 the things that Mr. Dorn and Mr. Bassett have
2 described in some detail is the delayed or the
3 ultimate impact of the first administrative review,
4 which didn't occur until 2007, when you might say the
5 dumping duties got more traction, so you had a more
6 clear, specific constraining effect on the parties, so
7 I think that --

8 COMMISSIONER PEARSON: To that point, are
9 you able to provide a trade-weighted figure for the
10 effective anti-dumping duty that was being applied on
11 imports because of course some would have been at
12 lower levels and some at higher levels, and so I hear
13 what you're saying about some firms getting higher
14 duties based on the reviews, but it's not clear to me
15 that had an effect in the marketplace by raising the
16 average level of duty that was actually paid by
17 importers of subject merchandise.

18 MR. BUTTON: We will take a look at that,
19 and Mr. Dorn may have a comment on it, but before we
20 leave the topic, the dumping orders had also not just
21 a specific effect on particular importers. It sent a
22 signal, a very important signal to the market that if
23 you are going to dump, you are at risk, so that even
24 though the assessments may not have specifically
25 changed, they're still back at seven percent.

1 They're on notice that now that the
2 administrative reviews have been completed in the
3 first instance, if you do dump, and you get caught,
4 you could be at great financial peril. Mr. Dorn, did
5 you have something to add on that?

6 MR. DORN: You covered my point.

7 COMMISSIONER PEARSON: In the back, Ms.
8 Lutz?

9 MS. LUTZ: Jennifer Lutz. I also wanted to
10 add that you heard testimony that as soon as they got
11 an affirmative vote from the Commission, a lot of the
12 industry started investing in plant equipment, and if
13 you look at the report, capital expenditures were
14 significant from 2004 to 2006, which also helped them
15 in regaining their profitability.

16 COMMISSIONER PEARSON: Right. But that's
17 U.S. investment in response to the order by that
18 theory rather than investment that was somehow related
19 directly to the subject imports because we had subject
20 imports rising still at that time those investments
21 were made, and in deciding whether to revoke or
22 continue the order, we have to make the decision by
23 reason of subject imports that revoking it would lead
24 to a continuance or recurrence of injury, right?

25 MR. DORN: Commissioner Pearson, just one

1 more point. Looking at this chart up on the slide, I
2 guess our point is if that 57 percent rate had
3 continued through 2006, you would have had a heck of a
4 different financial performance for the industry, but
5 the import increase was moderated significantly, and
6 that allowed these producers, albeit in a situation
7 where consumption was continuing to rise, not as much
8 as it rose from 2001 to 2003, but still rising, they
9 were able to be profitable in 2005 and 2006, and had
10 that not changed, there's no way they would have been
11 profitable.

12 The same trends that you saw from 2001 to
13 2003 would have continued, and operating income went
14 down 57 percent from 2001 to 2003, so I think that's
15 our main point of the benefit, turned around that
16 sharp decline in financial performance prior to the
17 onset of the recession.

18 MR. BUTTON: Commissioner Pearson, a final
19 point, you mentioned I think appropriately the
20 question of investment and why the U.S. firms
21 invested. Well, I think for them as well their
22 expectations, and maybe they thought that the dumping
23 margins ultimately achieved at the first
24 administrative review might have come sooner to them,
25 but they thought that the order would have an affect,

1 and they went ahead and invested, and sometimes
2 investment decisions precede the flows.

3 I think from the point of view of the
4 perceptions of the domestic industry as you've heard
5 here, they tied their investment decisions to their
6 expectation that the order would in fact be
7 beneficial.

8 COMMISSIONER PEARSON: Okay. Mr. Wayne
9 Bassett?

10 MR. W. BASSETT: Wyatt.

11 COMMISSIONER PEARSON: Wyatt Bassett.
12 Excuse me. Yes. In your concluding paragraph, you
13 indicated that revocation of the order would lead to
14 increased dumped imports, increased underselling,
15 significant declines in the domestic industry's sales,
16 production, employment, capacity and profits. Isn't
17 that what we already have on this record, declines in
18 domestic industry sales, production, employment,
19 capacity and profits, and if so, if we revoke the
20 order, what changes? Why is there any difference?

21 MR. W. BASSETT: I think it depends on if
22 you're looking at why we've had declines in sales,
23 production, employment, profits and the rest. Since
24 the absolute collapse of the housing industry, demand
25 for wooden bedroom furniture has fallen by a third.

1 That immense decline in demand has not been overcome
2 by any factors we've talked about including capital
3 investment, including any orders or anything else.

4 We've had substantial reduction, but it's
5 been as a result of the worst economic conditions
6 we've seen in the vast majority of the people in this
7 room's lifetimes. It's unprecedented in our
8 lifetimes, and it's of a magnitude I don't think any
9 of us imagine when we sat here five or six years ago.
10 Going forward, the question is what's going to happen
11 to the remainder of our production, the remainder of
12 our employees, the remainder of our profits, our
13 ability to invest in capital expenditures?

14 If the order comes off, what I'm saying very
15 clearly is to the extent of what we have left after
16 this unprecedented economic tsunami is not only going
17 to be threatened, but most likely destroyed.

18 COMMISSIONER PEARSON: Yes, and I hear what
19 you're saying about the recession. The problem is,
20 that really doesn't explain what we see in the data
21 because we have a linear decrease year by year in the
22 U.S. industries shipments. We have a linear decrease
23 in employment, and the other measures all are trending
24 down throughout the entire period and may well be
25 exacerbated by the recession in the past couple of

1 years.

2 It's hard to look at this and see the
3 recession changing a lot other than it's exacerbating
4 the trends that were already there, but it doesn't
5 seem to me to be reversing trends, and with that,
6 Madame Chairman, I'm over time, so I apologize.

7 CHAIRMAN OKUN: Commissioner Aranoff?

8 COMMISSIONER ARANOFF: I join my colleagues
9 in thanking all the witnesses for being here today. I
10 want to in particular thank everyone from Vaughan-
11 Bassett for your hospitality when Commissioner
12 Williamson and I toured your facility a few weeks ago.
13 That was very helpful. I want to start with a
14 question for Mr. Prillaman. Can you just clarify for
15 us, Mr. Prillaman, is Stanley now out of the adult
16 bedroom furniture business?

17 MR. PRILLAMAN: Not currently, but by the
18 end of this year, we will cease production in that
19 Stanleytown facility that makes adult bedroom
20 furniture as one of its five product lines.

21 COMMISSIONER ARANOFF: And when you do that,
22 are you planning to get out of that business, or are
23 you planning to serve that part of the market with an
24 imported product?

25 MR. PRILLAMAN: The latter.

1 COMMISSIONER ARANOFF: Okay. Can you share
2 with us either here or, if it's confidential, in your
3 post-hearing submission where those imports are going
4 to come from, what country they're going to come from?

5 MR. PRILLAMAN: Yes, I can do that
6 confidentially in the post-hearing.

7 COMMISSIONER ARANOFF: Okay. I'd also be
8 interested in hearing whether the supplier that you're
9 going to use is completely independent of your company
10 or whether or you've made an investment in any way in
11 that supplier. What's going to happen to the
12 production equipment at your U.S. facility?

13 MR. PRILLAMAN: Well, that's really an
14 interesting point. I think the argument that the
15 other side makes and wants to make is that nothing's
16 changed, everything's continued to turn down in the
17 industry, and the dumping order has not helped the
18 domestic industry, and they point to the Stanleytown
19 plant's closing as major point of evidence there. The
20 point that I want to make about the Stanleytown
21 facility again is that it makes five different product
22 lines, only one of them bedroom, and we kept that
23 plant open longer, five to 10 years longer than any of
24 the other plants in the local area.

25 What we're doing is we will cease production

1 in that plant, and that plant will become a
2 warehousing and distribution center, and then what
3 we're doing with the machinery first is we're taking
4 the machinery that can be used in that plant and
5 putting it in our Robbinsville, North Carolina, plant
6 where we have brought back all of our nursery and
7 kids' furniture from our former Asian suppliers, and
8 we'll use that machinery to sustain domestic
9 operations there.

10 Stanleytown, if I can say, it's the perfect
11 example for me as to Commissioner Pearson's question
12 on how the recession is different from whether or not
13 the dumping order was effective. It's the unit
14 volume. In a 1.7 million square-foot facility and the
15 overhead associated with that, when our unit volume is
16 driven so low as it has been by the recession, there's
17 no way to sustain operations in a facility that size.

18 COMMISSIONER ARANOFF: But it doesn't make
19 sense to close the facility, wait out the recession
20 and restart it?

21 MR. PRILLAMAN: I may.

22 COMMISSIONER ARANOFF: But you're moving
23 some of the production equipment, so you're not going
24 to have it there anymore.

25 MR. PRILLAMAN: Well, we're moving it four

1 hours away. I mean, that's a possibility certainly.

2 COMMISSIONER ARANOFF: Okay.

3 MR. PRILLAMAN: We haven't disclosed exactly
4 what our plans are with the Stanleytown facility long
5 term because right now it's pretty difficult to think
6 long term if you're a U.S. domestic manufacturer.

7 COMMISSIONER ARANOFF: Okay. I appreciate
8 those answers.

9 MR. PRILLAMAN: I would add we've moved
10 machinery before from one plant to another.

11 COMMISSIONER ARANOFF: Okay. I appreciate
12 those answers. Mr. Dorn, I want to clarify an
13 argument that you made in the brief regarding the
14 Commission looking at related parties. I understood
15 you to argue that the Commission should exclude
16 certain companies from the domestic industry that
17 ceased domestic production during the period of
18 review.

19 Of course, once a company ceases domestic
20 production, there are no data to exclude, and so my
21 question to you is are you asking us to exclude the
22 data for those companies for the period during which
23 they were still producing product in the United
24 States, and if so, why?

25 MR. DORN: Frankly, I'll have to go back to

1 the case we cited to see what was done there, but our
2 main point there is in looking at the table you have
3 on companies that oppose the petition, to the extent
4 that somebody stopped production in 2005, 2006, 2007
5 and became then a pure importer, we think that you
6 should not consider their opposition to the petition
7 because it's not the opposition of a domestic
8 producer. That's our main point.

9 COMMISSIONER ARANOFF: Okay. All right.
10 And then for the period when they still were a
11 domestic producer, we would look at the same criteria
12 that we always look at, which include that but also
13 include their ratio of imports to production and all
14 the other factors?

15 MR. DORN: Yes. Frankly, whether that data
16 is included or not is not going to make much
17 difference. I don't really have a position on that.

18 COMMISSIONER ARANOFF: Okay. Let me change
19 the topic completely then and ask some questions about
20 the industry in Vietnam. To the extent that anyone
21 knows the answer to this, and I know some of you must
22 have visited some of these facilities, do large
23 producers of wooden bedroom furniture in Vietnam tend
24 to be transplants from China, transplants from the
25 United States or indigenous companies? Anyone who has

1 personal knowledge can answer the question. All
2 right. That may be nobody.

3 MR. W. BASSETT: I'll jump in. I'm not
4 aware of, and I have visited a couple of times, I'm
5 not aware of any transplants from the United States in
6 wooden bedroom furniture.

7 COMMISSIONER ARANOFF: Okay. I believe the
8 record shows that there is one U.S. producer who's
9 opened a plant in Vietnam.

10 MR. DORN: I think Stickley has a plant
11 there, right?

12 MR. W. BASSETT: I had understood that
13 Stickley had a plant there at least when it opened.
14 What I read was that it was a dining room plant, not a
15 bedroom plant, but that may have changed. I'm not
16 aware of it.

17 MR. COPELAND: I believe that's correct.
18 They do dining room in their plant in Vietnam.

19 COMMISSIONER ARANOFF: Okay. So other than
20 that, this group doesn't have any information to help
21 us on that? Okay. That leaves out a few other
22 questions I might have asked. Do we have in the
23 record reliable data on current and likely future
24 demand for wooden bedroom in the Chinese domestic
25 market? I note that a number of the Respondents do

1 argue that there is increasing demand for wooden
2 bedroom furniture in China that's going to occupy a
3 good part of Chinese capacity, and I've seen newspaper
4 article-type information, but I wouldn't consider that
5 to be the kind of data that we might want to rely on.

6 MR. DORN: I don't believe there is any
7 reliable data. The record on that in terms of going
8 forward, I think what you do have in the record, and
9 we'll address this in our post-hearing brief is that
10 the trends during the period of review certainly don't
11 show any great shift to the home market. There are
12 many large Chinese producers who are focused entirely
13 on the U.S. market, and we'll certainly address that.

14 Also, if you look at some of the data from
15 the website of the Guangdong Furniture Association and
16 also for the Chinese National Furniture Association,
17 when they're projecting future exports and production,
18 it's clear that they're projecting at least an equal
19 increase in exports as their home market. There's no
20 suggestion there's going to be a shift away from
21 exports to their home market, and we'll be happy to
22 highlight that in our post-hearing brief.

23 COMMISSIONER ARANOFF: Okay. What
24 information, if any, do the domestic producers here
25 have about the nature of the home market in China for

1 wooden bedroom furniture? In particular, is it common
2 for Chinese consumers to purchase the type of wooden
3 bedroom furniture that's typically sold in the United
4 States? Is it common for there to be the same sort of
5 bed, dresser, night stand, those sort of pieces sold
6 in the Chinese market and from the same species of
7 wood that are popular in the United States?

8 MR. DORN: I think there is information in
9 the confidential record on that. I think it's public
10 in your prehearing report about a reference to
11 American style furniture, and I think the confidential
12 responses will indicate that there is a difference,
13 it's furniture that's really produced for the American
14 market that certainly implies strongly that furniture
15 is not what's sold in China. And just looking at the,
16 you know, per capita income of the Chinese, I mean it
17 would be entirely surprising if they would be buying
18 the sizes of the furniture that's produced for the
19 American market and the collections, you know, five-
20 piece sets and so forth. But I don't have any
21 personal knowledge of that.

22 COMMISSIONER ARANOFF: Right, I mean
23 personally I would think maybe in the hospitality
24 market in China you would see that, but I don't know.
25 So if -- in any event it looks like my time is just

1 about to end, so let me wait until my next round.

2 Thank you.

3 CHAIRMAN OKUN: Commissioner Williamson.

4 COMMISSIONER WILLIAMSON: Thank you, Madam
5 Chairman. I do want to express my appreciation to the
6 witnesses for coming today. And I as Commissioner
7 Aranoff I very much welcomed the opportunity to visit
8 the Vaughan-Bassett facility and found it very
9 helpful, thank you for that, both of you. I was
10 wondering if anyone could please describe the
11 differences between the manufacturing processes or
12 technologies used in the U.S. and those used in China
13 and other countries, and how much are these
14 differences due to difference in labor intensity or
15 to, you know, cost of labor?

16 MR. WYATT BASSETT: I can speak for our
17 company most directly about what we do here in the
18 United States. We invest aggressively in capital
19 expenditures. We spent over \$23 million since 2004 to
20 be the most efficient furniture manufacturer we
21 possibly can. That's efficient in use of all our
22 resources, equipment, labor, materials, everything.
23 When it comes to how it's to my knowledge at least
24 produced in China, I believe that certainly early on
25 from what limited personal experience I have, a lot of

1 things we do with equipment they did do with labor,
2 and they'd have to answer exactly why that made sense
3 for them.

4 Certainly over the years to more compete
5 with the U.S. market I think they have not only
6 duplicated the designs of some of our suits, I think
7 they're duplicating some of our production processes,
8 I think the differences in the production processes
9 are less today between China and the U.S. than they
10 probably were five, six, seven, ten years ago. As far
11 as any absolutes I have a hard time telling you. I
12 know they produce the same exact type of furniture we
13 make. We have equipment that will produce anything
14 they do by hand on equipment. For instance we've
15 invested in about \$1 million in computer controlled
16 solid wood carvers that will do what hand carving
17 does. I don't know anything they can do that we
18 can't.

19 COMMISSIONER WILLIAMSON: Let's put it this
20 way. That state-of-the-art equipment that you're
21 investing in and employing, do you think the
22 manufacturers of that equipment are selling it comp or
23 even more in China?

24 MR. WYATT BASSETT: I actually I think they
25 are more now than they used to be. I serve on the

1 board of the International Woodworking Fair which with
2 a number of equipment manufacturers from the United
3 States. There's an association that represents
4 domestic wooden equipment manufacturers and I know
5 from speaking to them a number of them have said
6 they've sold equipment to China, the problem is
7 they've only sold them one piece. After they sell
8 them the one piece someone in China has duplicated it
9 and they don't get any more sales into China.

10 COMMISSIONER WILLIAMSON: Okay, thank you.

11 MR. DORN: Commissioner Williamson, there is
12 some information in the confidential record which we
13 can highlight for you which does talk about increased
14 investment in machinery and equipment in China. And I
15 think as their wage rates are increasing they like
16 other manufacturers are increasing their labor
17 productivity through investment in equipment, and we
18 can highlight some of that information in the
19 confidential record for you.

20 COMMISSIONER WILLIAMSON: Good. Okay.

21 Excuse me, I'm sorry.

22 MR. CAPERTON: Commissioner, Gat Caperton.
23 I can't speak too much for the Chinese production, but
24 I'd like to just talk about our specific which I
25 believe would be unique from what you see in China in

1 the essence of, we've taken a very sustainable
2 approach to our business. We use wood that is locally
3 harvested, sustainably harvested. We are very
4 conscious about our footprint in terms of our carbon
5 footprint, our energy usage, and in terms of
6 sustainability throughout our operation. I think it's
7 a point of uniqueness that is lost overseas.

8 COMMISSIONER WILLIAMSON: Okay. Anyone else
9 want to, any other comments on that question?

10 (No response.)

11 COMMISSIONER WILLIAMSON: Okay, thank you.
12 Ms. Silvers, thank you very much for coming today. I
13 was wondering if, you talked about very clearly the
14 impact of for the workers in your factory having to
15 pay more for health insurance, the fact that there's
16 no, you know, the pension, there are no pension
17 payments. So I was wondering, is this a condition
18 that's recent or I mean were there better times for
19 the workers in your factory than now?

20 MS. SILVERS: Yes, there have been better
21 times than there are now. We had pension once upon a
22 time but now that, you know, economy is so bad that we
23 had to lay off a lot of employees and so we, the
24 company just can't afford to, you know, contribute to
25 our retirement.

1 COMMISSIONER WILLIAMSON: Okay. Now did
2 these cutbacks start say before 2008 when the
3 recession hit?

4 MS. SILVERS: Well they started after I
5 would say.

6 COMMISSIONER WILLIAMSON: Okay. Okay, thank
7 you, I was just wanted to get a little clarification
8 on that. Thank you for that. Turning to the
9 industry, you point to the continued presence of the
10 subject imports in the U.S. market as evidence of
11 their interest in the U.S. -- of subject imports in
12 the U.S. market and their continued presence as
13 evidence of their interest in the U.S. market, and I
14 was wondering to what extent is this continuing
15 presence in the market due to the low rates that have
16 been maintained through settlement agreements?

17 MR. DORN: Well I think we've, you know,
18 addressed that with the information about what's
19 happened when the duties have gone up. You know, 63
20 percent announced February of 2007, that was a
21 preliminary finding, but that was a market signal of
22 the risk you face for retroactive imposition of
23 duties. And so imports dropped 60 percent from 2006
24 to 2009 after increasing every single year from 1991
25 to 2006. Every year, good times and bad, imports of

1 bedroom furniture increased from China until the first
2 administrative review. So I think the main point
3 there is that the administrative reviews are making
4 the order more effective and should continue to do so
5 going forward.

6 COMMISSIONER WILLIAMSON: Okay, thank you.
7 You argue and the record indicates that some
8 production facilities can produce other products on
9 this same equipment. And given this, what is the best
10 way to calculate production capacity?

11 MR. DORN: Well in our brief we suggest that
12 you should start with the capacity for all wooden
13 furniture when you're looking at the Chinese industry,
14 because it's very clear they can switch back and
15 forth. And we also have substantial problems in the
16 way, the methodologies used by the Chinese producers
17 in filling out their questionnaires, because they did
18 not follow the directions of the questionnaire.

19 The U.S. industry to my knowledge based
20 their production capacity on their existing plant and
21 equipment, they didn't base it on the level of their
22 orders or the, you know, how they are currently
23 staffing their factory. But the Chinese factories
24 have not done that, used that methodology at all, and
25 you'll see that the capacity numbers sort of fluctuate

1 in relation to production. And where that's happened
2 in past cases the Commission has given no reliance on
3 the capacity figures supplied by the foreign industry.
4 So we hope you'll take a close look at that.

5 COMMISSIONER WILLIAMSON: Okay, thank you.
6 I wonder if you could address the Respondent's claim
7 that the price comparison data are not probative due
8 to the wide variations in price within each pricing
9 product?

10 MR. DORN: Well to begin with, you know, the
11 price comparison products are more refined in the
12 period of review than they were in the original
13 investigation. Both sides had comments. Now we have,
14 you know, for Louis Philippe for example, which was in
15 the original investigation, we have data for all
16 solids and we have another category for solids and
17 veneers. So the categories are narrower and there are
18 more categories than there were in the original
19 investigation. On the other hand this is not wheat,
20 it's not cement. These are not, you know, commodity
21 products. But this is the best the staff could come
22 up with based on the responses and comments from both
23 sides as to how to fashion appropriate pricing product
24 definitions.

25 COMMISSIONER WILLIAMSON: Okay, thank you.

1 Mr. Button?

2 MR. BUTTON: Thank you, Commissioner. With
3 respect to the underselling data, the Respondents have
4 suggested that it's not reliable but they don't deny
5 that there is in fact underselling. However, they're
6 suggesting that the underselling is so substantial
7 that there is just, I think the phrase was, no nexus,
8 in other words there's no competition between the
9 Chinese and the domestic product. As the members of
10 the industry here have described, they have head to
11 head competition with the Chinese product across the
12 board, and that the data you have in the prehearing
13 report suggests that as well.

14 As you've got in terms of national coverage
15 they compete head to head as 46 producers and 80
16 importers sell in at least five national regions. So
17 you have geographic coverage. You've got 21 importers
18 reporting a plurality of their sales at greater 1,000
19 miles from their plants. And you have the purchasers
20 reporting that they purchase from both U.S. producers
21 and from importers. And you have as you've seen up
22 here from Mr. Copeland photographs of the products
23 that are identical. There is competition here. I
24 believe that the underselling data simply support the
25 simple fact, as in the original investigation, subject

1 imports are far lower priced.

2 COMMISSIONER WILLIAMSON: Okay. Okay, thank
3 you very much for those answers. My time has expired
4 so I'll come back.

5 CHAIRMAN OKUN: Commissioner Pinkert.

6 COMMISSIONER PINKERT: Thank you, Madam
7 Chairman. First, I suppose this is a mixed legal and
8 factual question, but perhaps Mr. Dorn can start the
9 ball rolling in answering this question. How do you
10 respond to the argument that continuation of the order
11 would serve to advantage those subject exporters who
12 export to Petitioners as opposed to other exporters
13 who are subject to the order?

14 MR. DORN: Well first of all, Commissioner
15 Pinkert, I would look at the data that I handed up to
16 you. The other side's trying to create the impression
17 that the members of this committee, you know, control
18 a large portion of the imports from China and the data
19 are just, show that's just not correct. It's just
20 it's a very tiny share of the imports that have been
21 brought in by members of this coalition. If you look
22 at the trends also you'll see that the trend of
23 imports from China has gone down rapidly from members
24 of this committee. So I think you should look at
25 those trends and look at what's going to happen in the

1 future.

2 COMMISSIONER PINKERT: Any other comments on
3 that issue?

4 (No response.)

5 COMMISSIONER PINKERT: Do the subject
6 exporters who export to the Petitioners generally get
7 a lower antidumping rate than the other exporters?

8 MR. DORN: Well we don't have a, I mean I
9 don't have a, you know, don't have data on that.
10 Unfortunately the foreign Respondents haven't answered
11 the questionnaire, so we don't know. It would be
12 great if we had full questionnaire responses from all
13 the foreign producers, if they indicated who they
14 supplied in the United States, if they indicated their
15 shipment values each year. They could have filled out
16 that settlement table which would indicate the
17 settlement amounts.

18 But they didn't provide that information, we
19 only have 12 usable questionnaires. You know, we have
20 not at the time of the administrative reviews we
21 haven't, you know, determined who all the supplier
22 relationships are, and so could not have answered that
23 question. I do know anecdotally that there have been
24 some suppliers who I think have shipped product to
25 some of our members of the coalition who have received

1 very high rates.

2 COMMISSIONER PINKERT: Thank you. Anything
3 you can do in the posthearing to put some numbers on
4 that would be very helpful.

5 MR. DORN: And we'd be pleased to do that.

6 COMMISSIONER PINKERT: Thank you. Now
7 turning to the other folks on the panel, are most of
8 your shipments sold through inventory or produced to
9 order?

10 MR. WYATT BASSETT: Everything we produce is
11 to inventory. We carry tens of millions of dollars in
12 inventory and we set all our production schedules to
13 maintain adequate inventory.

14 MR. PRILLAMAN: Most of Stanley Furniture's
15 orders are from inventory.

16 MR. SANDBERG: All of Sandberg's is from
17 inventory.

18 MR. CAPERTON: Gat Caperton. Tom Seely
19 Furniture produces to order.

20 COMMISSIONER PINKERT: Thank you.

21 MR. BERRY: Reau Berry. JTB Furniture, we
22 do produce to order.

23 COMMISSIONER PINKERT: Did I get everybody
24 on that one?

25 MS. LUTZ: I think Mr. Copeland stepped out

1 for a minute but he mentioned in his testimony that
2 they have standard products that they produce to order
3 with respect to finishes and hardware.

4 COMMISSIONER PINKERT: Thank you. Now has
5 the product mix shifted for the companies in the
6 domestic industry since 2004?

7 MR. WYATT BASSETT: The majority of our
8 product line is the type of products we produce are
9 the same we were producing in 2004, which is solid and
10 veneer bedroom in the lower middle to middle part of
11 the market, that's where the biggest amount of volume
12 is which is why we compete there. As I said in my
13 testimony, recently something we've focused on in
14 about the last six months is all solid bedroom, which
15 has been a result of the order.

16 MR. PRILLAMAN: Commissioner, would you mean
17 product mix between the bedroom category and other
18 categories or do you mean within the bedroom category?

19 COMMISSIONER PINKERT: I meant within the
20 bedroom category.

21 MR. PRILLAMAN: Okay. No, we have not seen
22 a major mix change.

23 COMMISSIONER PINKERT: Thank you. Any other
24 comments on the panel on that issue?

25 MR. BERRY: Commissioner, I'd like to say in

1 the hotel industry it's become more customized to give
2 us the niche to survive.

3 COMMISSIONER PINKERT: All right. That's
4 all I have for this round but I may come back with one
5 more question. Thank you.

6 CHAIRMAN OKUN: Thank you for all the
7 responses we have received so far, been very helpful.
8 In looking at what has changed since the order has been
9 in place, I know in your brief you went through those
10 conditions of competition you think are the same and
11 what has changed. The Respondents had pointed to what
12 they see as a structural shift in import sourcing
13 that's not likely to reverse in the foreseeable future
14 as being one of the changes the Commission should take
15 into account.

16 And I know you've been able to respond to
17 several questions about nonsubject imports, Vietnam in
18 particular, but I wanted to get some additional
19 responses from producers about head to head
20 competition with the Vietnamese or product from
21 Vietnam. So maybe I can start with you, Mr.
22 Prillaman, in youth furniture. You had talked about
23 the Chinese, did you say whether there is any
24 competition from Vietnam in the youth furniture market
25 for you?

1 MR. PRILLAMAN: I did not, and we don't
2 really have major competition head to head with youth
3 producers from Vietnam that I'm aware of. The
4 majority of it is in China.

5 CHAIRMAN OKUN: Okay. And, Mr. Berry, how
6 about in the hospitality?

7 MR. BERRY: In the hospitality industry in
8 Vietnam, no, ma'am, we don't. China is the 800-pound
9 gorilla. There are no Fairmonts to my knowledge in
10 Vietnam -- or C.F. Kent, excuse me.

11 CHAIRMAN OKUN: Okay. Mr. Sandberg, I think
12 you had specifically said there were two, you're aware
13 of two producers but they weren't importing, or
14 exporting to the U.S.?

15 MR. SANDBERG: Correct.

16 CHAIRMAN OKUN: Okay. Mr. Copeland?

17 MR. COPELAND: Yes, I'm not aware of any
18 competition that we have out of Vietnam.

19 CHAIRMAN OKUN: Okay. Mr. Bassett?

20 MR. WYATT BASSETT: We primarily compete
21 with China because again we go after that lower middle
22 to middle section of the market where the most volume
23 is. We do produce some youth and we produce some all
24 solid bedroom, which China covers. While Vietnam does
25 go after that broad middle section of the market we

1 just don't see the competition in youth or solid wood
2 from Vietnam that we do from China.

3 CHAIRMAN OKUN: Yes?

4 MS. LUTZ: Jennifer Lutz.

5 CHAIRMAN OKUN: Yes, Ms. Lutz.

6 MS. LUTZ: One thing that we talked about a
7 little bit in preparation for this hearing was, well
8 we've got these established trading companies with
9 respect to China that are known by name, Tradewins,
10 Great River, New Classic, companies that are focused
11 on this distribution chain from China to the U.S.
12 market. And we asked if there was anything comparable
13 with respect to Vietnam, and they couldn't name any
14 comparable distributors that were targeting the U.S.
15 market.

16 MR. DORN: If I might just add to that, we
17 have a long section in our brief beginning at page 52
18 where we detail all these established relationships
19 between the Chinese producers and their U.S. marketing
20 arms and they do advertisements in Furniture Today,
21 and everybody at the table knows who those major
22 competitors are from China but we're not able to
23 identify those types of links when it comes to
24 Vietnam. They may be there but they're just they're
25 certainly not prominent like they are with respect to

1 China.

2 CHAIRMAN OKUN: Okay. Any other
3 information, Dr. Button, that you gathered with
4 respect to where the competition is with Vietnam or
5 that you see in our record?

6 MR. BUTTON: No, I think the producers have
7 described it well that there is a volume in the middle
8 market that, you know, there are Vietnam, but in other
9 areas the Vietnamese are not nearly as prominent as
10 the Chinese are throughout.

11 CHAIRMAN OKUN: Okay.

12 MR. PRILLAMAN: The only thing I'd like to
13 add, the labor productivity, the automation, is not in
14 Vietnam like it is in China. Its freight is less from
15 China to here than it is in Vietnam. Just trying to
16 give you some feel for why we think China or why we
17 have experience China -- the infrastructure is not in
18 Vietnam as it is in China. And then I think
19 interestingly we're not aware of, the people that run
20 the businesses in Vietnam, they don't have an
21 understanding of the U.S. market like the people that
22 run the businesses in China do, and that plays a large
23 role in our ability to compete.

24 CHAIRMAN OKUN: Okay. Mr. Bassett?

25 MR. WYATT BASSETT: I'll follow up briefly

1 on what Glen and the others said, which is, out of
2 China we're aware of, as they've said, of several
3 Chinese manufacturers that not only have U.S.
4 warehouses, they advertise in U.S. trade papers, they
5 have U.S. show rooms in High Point in Las Vegas, they
6 have U.S. sales forces, and they have U.S. managers
7 and marketing teams and marketing companies to sell
8 their furniture here in the United States. I'm not
9 aware of anything like that in Vietnam, certainly not
10 on the scale that there is out of China.

11 Where the Chinese companies have a fully
12 integrated system of manufacturing, shipping, selling,
13 distributing that product here into the United States,
14 the Vietnamese manufacturers are dependent on someone
15 in the U.S. to tell them what the design needs to be
16 and then to order it, import it, and bring it into the
17 U.S. for distribution.

18 CHAIRMAN OKUN: Okay. Mr. Caperton, I
19 didn't want to overlook our West Virginia person. Did
20 you have a response for Vietnam?

21 MR. CAPERTON: Thank you. We don't know of,
22 I don't know of any Vietnamese competitors that we see
23 in the marketplace.

24 CHAIRMAN OKUN: Okay. And then, Mr.
25 Copeland, I had wanted to ask you on the, back on the

1 charts, you were talking about the products that look
2 very similar to your products that were being produced
3 in China and sold for what you described as
4 significantly less, were those introduced before the
5 order went into effect or after the order went into
6 effect?

7 MR. COPELAND: Our products?

8 CHAIRMAN OKUN: No, the Tradewins's product
9 or Starcorp?

10 MR. COPELAND: After the order went into
11 effect.

12 CHAIRMAN OKUN: Okay. Okay then my next
13 question isn't relevant because I wondered whether the
14 prices had changed at all but those are post order,
15 okay.

16 MR. DORN: But if I might add?

17 CHAIRMAN OKUN: Yes, yes, Mr. Dorn?

18 MR. DORN: I think before Starcorp got a 216
19 percent rate, they're now at 216.

20 CHAIRMAN OKUN: That was the most recent
21 review or not, I don't know?

22 MR. DORN: Second administrative review.

23 CHAIRMAN OKUN: Okay.

24 MR. COPELAND: If I could add to that a
25 little bit, they also did some flat out knockoffs

1 prior to the order going into effect, and this was
2 interestingly enough of a very high end group that we
3 do. We have the exclusive worldwide rights to make
4 the furniture designs of Frank Lloyd Wright under
5 license with the Frank Lloyd Wright Foundation in
6 Scottsdale, Arizona. We brought out a group of, we
7 brought out a full range of Frank Lloyd Wright designs
8 from the first decade of the 20th Century in 2005, and
9 I believe that it was before the order went in,
10 Starcorp and Tradewins knocked that off literally in
11 2005.

12 CHAIRMAN OKUN: Mr. Bassett?

13 MR. WYATT BASSETT: Since we're on the
14 subject here of Starcorp and Tradewins, it's a prime
15 example of the battle we face. Starcorp got 216
16 percent margin in the second administrative review.
17 The U.S. importers, purchasers, resellers of that
18 furniture, have totally gotten out of having to pay
19 those duties because the Chinese factory Starcorp
20 acted as the importer of record during that time. The
21 amount of money that's owed by Starcorp and is in no
22 way in dispute and is due and has been due to Customs
23 and to the U.S. government based on that is \$80
24 million.

25 That's \$80 million in deterrents, that's \$80

1 million in relief, that's \$80 million in effectiveness
2 of this order that's been undercut because the Chinese
3 factory acted as importer of record and refuses to pay
4 and has not paid that money. In addition to that, the
5 U.S. company that resells that furniture, Tradewins,
6 has also at least in some cases not acted as the
7 importer of record for that furniture. They've used
8 what amounts to shell companies to act as importer of
9 record, at least I believe two of which have dissolved
10 and gone out of business before they paid any of the
11 duties that were owed.

12 It's absolutely not hyperbole to say that
13 there is a huge, multi-million, tens of millions, even
14 hundreds of millions of dollar effort to undercut the
15 effectiveness of the order through a coordinated
16 effort to circumvent it. We have very limited methods
17 to find information to catch this and to try to help
18 the Customs Department enforce it. Our best ally in
19 this that we do have some influence with legally is
20 the Commerce Department, and we spend a great deal of
21 our efforts, resources, and of our priorities trying
22 to catch this illegal circumvention, this evasion and
23 this undercutting of the order, when we have that
24 opportunity.

25 CHAIRMAN OKUN: Mr. Dorn?

1 MR. DORN: Just to correct one thing I said,
2 Starcorp received the 216 percent rate in the final
3 results of the first review, August 22, 2007.

4 CHAIRMAN OKUN: Okay, I appreciate that
5 clarification. Commissioner Lane?

6 COMMISSIONER LANE: Thank you. Mr.
7 Prillaman, this first question's for you. Could you
8 please estimate the percentage of the youth market
9 held by China before the order was imposed and the
10 percentage held in 2009?

11 MR. PRILLAMAN: I don't think I could, I
12 don't think I can make that estimation.

13 MR. DORN: We can work and see if we can
14 come up with something for the posthearing if that
15 would be helpful.

16 COMMISSIONER LANE: Okay, thank you, Mr.
17 Dorn.

18 MR. DORN: I understand we can.

19 COMMISSIONER LANE: Okay, thank you. Mr.
20 Berry, you said the Chinese importers are fierce
21 competitors for the refurbishment segment of the
22 market. What percentage of that market have they
23 captured during the period of review and could you
24 give me a rough estimate now and more precise figures
25 in a posthearing brief?

1 MR. BERRY: It would be hard to put a number
2 on that, Commissioner. But as a domestic manufacturer
3 and the prices that I see in the current market and
4 local conditions, I can tell you that I've just lost a
5 order with a hotel that is one mile from my front door
6 of my plant and the owner called me the other day and
7 told me I had lost the order to an Asian producer that
8 was 22 percent below what I, I'd already heavily
9 discounted the price and there was no profit in the
10 actual order for my company, the freight was free, and
11 they went with the Asian producer.

12 COMMISSIONER LANE: In the posthearing brief
13 could you provide the specifics of the name of the
14 purchaser and the name of the company that you lost
15 the sale to?

16 MR. BERRY: I will, yes I will.

17 COMMISSIONER LANE: Okay, thank you. Okay,
18 on page 210 of the staff report it states that one
19 domestic producer, and I can't state which as the name
20 is confidential, suspects that some Chinese product is
21 being fraudulently transshipped through Vietnam, and
22 you all have talked about that this morning. I ask
23 that in a posthearing brief that the producer explain
24 why it believes that and if possible give an estimate
25 as to the extent that that is occurring.

1 And then, can any of you tell me what
2 producers currently have plants or affiliations with
3 plants in Vietnam and other Southeast Asian countries
4 excluding China? And if you can tell me, putting it
5 in a posthearing brief would be fine. And also if you
6 have any plans to establish such plants or
7 affiliations in the near future.

8 MR. DORN: And, Commissioner Lane, that's
9 directed to members of this panel or the?

10 COMMISSIONER LANE: Yes.

11 MR. DORN: We'll do that.

12 COMMISSIONER LANE: Now, Dr. Button, I get
13 to ask my favorite question in all reviews and so I'm
14 glad you're here today. Could you provide me an
15 analysis in the posthearing what the effect on the
16 domestic industry would have been if the order had not
17 been in place? And can you tell me, can you quantify
18 what you think the effect of the order -- no, could
19 you quantify what you think the effect would be on the
20 industry going forward if the order were revoked?

21 MR. BUTTON: Commissioner, I'd be happy to
22 do so.

23 COMMISSIONER LANE: Okay, thank you. Mr.
24 Bassett, I forget, does your company produce furniture
25 other than wooden bedroom furniture?

1 MR. JOHN BASSETT: In past years we have, we
2 have produced a very small amount of occasional and we
3 have produced I think one dining room. Presently we
4 only produce bedroom in every facility that we have.

5 COMMISSIONER LANE: Okay, thank you. Madam
6 Chair, that's all I have.

7 CHAIRMAN OKUN: Commissioner Pearson.

8 COMMISSIONER PEARSON: Thank you, Madam
9 Chairman. Dr. Button, you probably have had a chance
10 to see Exhibits 4 and 5 of the Guangdong Furniture
11 Association prehearing brief, and those deal with the
12 economic studies done by Mississippi State and, what,
13 Georgia and I forget who all else was in that. One of
14 the statements coming out of that basically is that
15 total wooden bedroom furniture imports continued to
16 rise into the United States and attempts to increase
17 prices by domestic producers were foiled by the
18 diversion of imports to other Asian countries. Could
19 you comment on that? What do you think of those
20 studies, what do you think of that statement?

21 MR. BUTTON: Commissioner, thank you for the
22 question. With respect to the Guangdong studies, the
23 Mississippi State studies had a fairly modest intent
24 and asked whether the antidumping action had an impact
25 on the imports of wooden bedroom from China. First of

1 all, the studies concluded in fact that the
2 antidumping action did have a significant impact. The
3 study states that in July 2004 an affirmative
4 preliminary Commerce finding "produced a large
5 negative impact" on the volume of imports from China.

6 That's a study conclusion. The authors went
7 on to quantify this impact saying that the preliminary
8 finding "decreased imports from China with a magnitude
9 of minus .199," in essence it reduced Chinese share of
10 total imports by 20 percent. The authors go on to say
11 that the final determination does not have a
12 significant additional incremental hit on the imports
13 from China because the dumping, final dumping duty
14 margin, was perceived by the market as relatively low.

15 However, I note that the studies take no
16 notice of the administrative reviews in 2007 when the
17 dumping margins increased materially, and we can see
18 today that there was an additional major impact in
19 reducing the subject imports from China. The overall
20 point of these "intervention studies" was to look at
21 the impact of intervention by a governmental order on
22 the flow of the imports, and it looked at the
23 petition, it looked at the Commerce prelim, the
24 Commerce final, it did not take a look at the
25 administrative review.

1 Additional factors, however, in that same
2 study, those studies, found that the elasticities that
3 they calculated were relatively low. And from my
4 point of view their being low compared to the other
5 indicators in the studies indicates the constraint
6 imposed on the imports from China by the antidumping
7 orders. There were three other studies that they
8 included in the appendix. Let me only comment really
9 on at this time on one of those, I'll comment others
10 in the brief.

11 But the Cal State study focuses on the role
12 of nonsubjects, but it says in that study, and let me
13 quote, "the emerging giant, the Chinese furniture
14 industry," and it goes on to describe the presence of
15 50,000 Chinese furniture companies of which we
16 understand about 30,000 are wooden bedroom producers.
17 And then it says "the large Chinese furniture firms
18 operate megaplant that employ thousands of workers
19 living in company dormitories."

20 And we've seen pictures of those including
21 the Yihua international plant which they cite as being
22 a "fully integrated firm with its own forests and is
23 building a 3.6 million-square-foot complex in
24 Guangdong that can employ 20,000 people". Perhaps the
25 final point I would make is that that study quotes the

1 founder of Lacquer Craft as saying "Americans have no
2 idea how big and well equipped these plants are." I
3 think the studies basically support the position of
4 the domestic industry in this proceeding and don't
5 contradict it.

6 COMMISSIONER PEARSON: Okay, well I assumed
7 you had looked at them and I'll look forward to seeing
8 your more thorough analysis in the posthearing.

9 MR. BUTTON: Thank you.

10 COMMISSIONER PEARSON: There has been some
11 discussion of Vietnam and I may have missed follow ups
12 to other Commissioners, but, because I've gotten the
13 impression that competition you face from Vietnam is
14 substantively different than what you're facing from
15 China. And if so, help me understand how that's the
16 case. Do you any of you compete directly with
17 Vietnamese product?

18 MR. WYATT BASSETT: We do compete directly
19 with Vietnamese product across the middle of our line.
20 Again that sort of lower middle to middle price point
21 solid and veneer product. I'm not sure if you were
22 here or not when a number of us have said we don't see
23 the competition so much with youth or with all solid
24 wood.

25 COMMISSIONER PEARSON: Yes.

1 MR. WYATT BASSETT: In China they cover the
2 full spectrum of bedroom, in Vietnam it's more limited
3 to that middle section. In addition we compete in a
4 couple ways with both countries. There are retailers
5 in the U.S. who have the scale and have made the
6 investment in warehouses and logistics and other
7 things to import direct containers. There are the
8 vast majority of retailers out there don't have the
9 scale to import direct from China or from Vietnam.

10 They have to buy essentially one piece or
11 one suit at a time from either a domestic producer
12 like us or from a warehouse domestically that houses
13 imported product. When it comes to competing with
14 those independent dealers for the one-suit-at-a-time
15 sale, we're only competing with the domestic
16 warehouses of these importers. In the case of China
17 they have in a lot of cases their own U.S. warehouses.

18 I'm aware of no Vietnamese companies that
19 maintain U.S. warehouses and sales force to do what
20 China does. When it comes to the big retail companies
21 that have made massive investments in warehouses and
22 logistics and product who have the scale to import by
23 direct container and they have determined that's a
24 competitive advantage for them, if they didn't they
25 wouldn't have built these warehouses and import most

1 of their furniture by direct container.

2 If that's where they've invested their money
3 and that's what they are committed to, in some ways
4 they've taken us out of that competition, and in that
5 case you do see some competition back and forth
6 between Vietnam and China. But for the, we don't
7 control if they're going to invest in these massive
8 warehouses and they decide that's the way they want to
9 compete. For the vast, vast majority of independent
10 dealers out there and all dealers out there, we do
11 compete one at a time.

12 MR. PRILLAMAN: Stanley Furniture also
13 competes with Vietnam. What we had mentioned earlier
14 and I'll repeat myself, we haven't experienced where
15 Vietnam has anywhere near the prowess and the
16 experience and the competitive advantage in areas like
17 labor productivity, automation in the plants, freight,
18 it is less expensive to ship from China than it is
19 from Vietnam, infrastructure, and then as Wyatt
20 mentions, I'd just put that under the category of
21 people running facilities in China know the U.S.
22 market and they know how to market into it and sell
23 into it, versus Vietnam we don't see that.

24 COMMISSIONER PEARSON: Okay. Mr. Berry?

25 MR. BERRY: I'd like to confirm in the hotel

1 industry I see the same thing as far as our market.
2 As far as China they are the 800-pound gorilla. As
3 far as Vietnam it's kind of a bland no-name, no-
4 brands, and what small influence they have on our
5 marketplace is just insignificant compared to the
6 Chinese.

7 COMMISSIONER PEARSON: Okay. Given that the
8 Vietnamese product seems to compete in the United
9 States market under different terms of competition
10 than the Chinese, how did it get to be such a large
11 part of the total market? In the public staff report
12 we see that in 2008 it, you know, was almost 24
13 percent and then in 2009 it became a quarter of the
14 U.S. market, and in both those years greater than the
15 share that -- wait, can't comment on the Chinese
16 share, sorry. But if they're not as sophisticated at
17 marketing in the United States how do they seem to be
18 doing so well overall? Mr. Bassett?

19 MR. WYATT BASSETT: I'll jump in. First of
20 all the order against China has been effective. There
21 are a great number of U.S. importers out there who do
22 not have any U.S. production. There are probably
23 hundreds of U.S. importers that have never been
24 involved in U.S. production. There are plenty of U.S.
25 importers that had U.S. production, some or many of

1 whom opposed us five years ago, that have gotten rid
2 of all their U.S. production.

3 As the order has been effective against
4 China, they don't have a U.S. plant to bring that
5 product back here in the United States. They have
6 taken that product to Vietnam. People like use who
7 have factories, who have reinvested in our factories,
8 who have invested in our people, who are committed to
9 our production, we've done everything we can to
10 produce it here. But the vast majority in number of
11 importers out there don't have any U.S. production,
12 there's no way for them to bring it back here.

13 COMMISSIONER PEARSON: And the importers are
14 able to get what they need from the Vietnamese and
15 bring it into their distribution channels in ways that
16 perhaps are lower in volume than the Chinese are
17 capable of or lower, in less sophisticated ways but
18 nonetheless they're getting a share of the U.S.
19 market, is that a correct understanding?

20 MR. WYATT BASSETT: They're getting a share
21 of the U.S. market, but from what I've seen and heard
22 and read, they're not saying it's better from Vietnam,
23 in fact it's the opposite. It's satisfactory to what
24 they're doing, but without the order would they have
25 run to Vietnam because they think it's such a great

1 opportunity? No I don't think so.

2 COMMISSIONER PEARSON: Okay, thank you,
3 Madam --

4 MR. DORN: Commissioner Pearson?

5 COMMISSIONER PEARSON: I'm over time, so a
6 quick comment?

7 MR. DORN: I'd just refer to the responses
8 to the importers' questionnaires and the purchasers'
9 questionnaires, and there's a lot of information in
10 there in terms of how their behavior would change if
11 the order came off against China and how they would
12 source more from China.

13 COMMISSIONER PEARSON: Okay, thank you.
14 Thank you, Madam Chairman.

15 CHAIRMAN OKUN: Commissioner Aranoff.

16 COMMISSIONER ARANOFF: Thank you, Madam
17 Chairman. Is there any part of the market that will
18 pay a premium for made in the U.S.A. bedroom
19 furniture?

20 MR. W. BASSETT: I think there is a part of
21 the market. I wish it were a much bigger part of the
22 market than I think we see today. Particularly with
23 the dramatic economic downturn we've seen and the
24 recession we've seen people unfortunately don't always
25 have the luxury to pay a premium for something when a

1 less expensive item will do. I wear khaki pants just
2 about every day and I pay \$19.99 for them at WalMart.
3 I do that for one reason, they're satisfactory and
4 they're inexpensive and I can afford them easily.

5 Would I rather buy from a domestic producer?
6 Yes I would. One, I've got to find someone who
7 produces domestically, and two, I've got to be willing
8 to pay the premium out there. But at our company we
9 advertise the fact we're made in America, we promote
10 the fact we're made in America, we do everything we
11 can to try to reach those customers that see that as
12 an advantage or desirable to try to reach them and get
13 the most benefit out of it we can. This October
14 market in just a week or two we'll come out with a
15 program allowing any dealer we have to have basically
16 a made in America gallery, so that the customers out
17 there can easily find the product and the ones who are
18 willing to vote with their dollars, they're going to
19 get that opportunity.

20 COMMISSIONER ARANOFF: If, well let me ask,
21 is that Mr. Berry in the back?

22 MR. BERRY: It is.

23 COMMISSIONER ARANOFF: Go ahead.

24 MR. BERRY: You know, in the hotel industry
25 in today's market with the collapse of real estate

1 values and the very depressed economy that we're all
2 having to survive in, I hear it every day because one
3 of my main jobs as president and owner of the company
4 is to sell, and I'm in constant contact with the
5 marketplace and I hear it constantly that the bank has
6 cut our credit off, we don't have funds available, as
7 far as the depreciation that has gone on in the real
8 estate market as far as the values that they can go
9 and borrowing at the bank they're in a squeeze, so
10 they have to buy cheap.

11 And they would love to buy from Rosie and I,
12 but because they're in this squeeze of cheap and the
13 prices are the focal point of what the Chinese have to
14 offer our marketplace, it's almost impossible for
15 anybody to come to us because we're made in America,
16 and as far as the actual Chinese producers without the
17 order being in place I can tell you Rosie and I
18 wouldn't be in this audience today.

19 COMMISSIONER ARANOFF: Okay. Well I take
20 your point, I imagine the hospitality part of the
21 business would probably be the hardest place to market
22 made in America. What about the gentlemen here who
23 are doing the sort of higher end made to order
24 product?

25 MR. COPELAND: Yeah I think there is some

1 appreciation in the marketplace for made in America
2 and there are some customers who will pay some
3 premium. I don't think it's a huge premium and I
4 don't think it's, I don't think honestly it's a large
5 number of customers either.

6 COMMISSIONER ARANOFF: Okay, I appreciate
7 those answers.

8 MR. PRILLAMAN: Madam Commissioner, I should
9 say in the youth furniture segment where safety is
10 such a paramount issue, we believe and we've made a
11 huge bet that there is an opportunity to sell because
12 of what we're able to do making it domestically.

13 COMMISSIONER ARANOFF: All right. Okay, Mr.
14 Caperton, did you have something you wanted to say?

15 MR. CAPERTON: I will add to Mr. Copeland's
16 comment that I believe there is a segment of the
17 marketplace that does prefer and will pay a premium
18 for U.S. product. That premium is pretty small
19 though. It's a good tiebreaker, but it's not a large
20 premium.

21 COMMISSIONER ARANOFF: Okay, I appreciate
22 those answers. There has been a lot of discussion
23 today about various alleged attempts to circumvent the
24 order, and I just want to clarify for the record I'm
25 not aware that there have been any formal

1 circumvention findings by either Commerce or Customs,
2 is that correct, Mr. Dorn?

3 MR. DORN: Certainly true with respect to
4 Commerce.

5 COMMISSIONER ARANOFF: For Customs, any
6 Customs fraud findings or anything along those lines?

7 MR. DORN: Well there's, you know, we've got
8 a complaint from the Department of Justice against an
9 importer who was claiming the beds were metal when in
10 fact they were wooden, and so there's a penalty
11 against that company that the United States is trying
12 to enforce. And we have other evidence that we have
13 turned over to other agencies in town which we are
14 hoping was being pursued.

15 COMMISSIONER ARANOFF: Okay.

16 MR. DORN: But we can --

17 COMMISSIONER ARANOFF: If there's any update
18 on that before the record closes I think we'd be
19 pleased to hear it. The Commission's general practice
20 has been to place I think a lot more weight on
21 situations where there's been a formal finding. You
22 know, although I recognize that you've submitted other
23 evidence that's perhaps more extensive in this case
24 than we often see.

25 MR. WYATT BASSETT: Commissioner Aranoff,

1 while I'm not a lawyer and don't know the legal
2 definition of when you find there is circumvention or
3 not, if you go to I think it's slides 2 and 3,
4 Furniture Today who's been complemented for its
5 investigative journalism here today, these same
6 reporters have spoken directly to officials at Chinese
7 factories with high duty rates who tell them they ship
8 through Chinese factories with low duty rates and pay
9 them a commission to do it. Whether that's a legal
10 circumvention or whether that's just evading the
11 order, I don't know. But I don't think anyone will
12 argue that this goes on pretty extensively.

13 COMMISSIONER ARANOFF: Okay.

14 MR. DORN: And we also have hard evidence of
15 the \$80 million that Starcorp has refused to pay,
16 that's in the record.

17 COMMISSIONER ARANOFF: Okay, appreciate
18 those answers. There was some discussion earlier
19 about carved furniture and, you know, whether it
20 required production by hand, and I know Mr. Bassett
21 testified that you have machinery that can achieve
22 that same type of carved furniture. Is carved
23 furniture a large part of demand in the market and is
24 it a style that's always around or does it come and
25 go?

1 MR. WYATT BASSETT: I'll tell you today that
2 a small minority of the bedroom product I see out on
3 the average lower middle to middle retailer's floor is
4 carved furniture. The most prevalent styling I see
5 today would be considered casual or lifestyle
6 furniture. Is there some of it out there?
7 Absolutely. Have we produced it? At various times
8 absolutely, when we find a spot in the market that we
9 think we can sell it in enough volume. But is it the
10 primary thing out there? I would tell you today no,
11 and in fact over the last several years I'd say that
12 furniture styling has moved to more casual and simple
13 designs versus more elaborate or more formal designs.

14 COMMISSIONER ARANOFF: Anybody else in that
15 part of the market or want to comment on it?

16 (No response.)

17 COMMISSIONER ARANOFF: Okay, thank you.
18 Commissioner Williamson was asking about the price
19 comparison data that we have and some of the
20 Respondents' arguments that they aren't very good
21 comparisons, but I wanted to ask a slightly different
22 question. If you look at the unit value data that we
23 have in the record, the unit values for U.S. producers
24 decrease in every year subsequent to the imposition of
25 the antidumping duties. Is there a reason for that or

1 do you think that unit values are not meaningful in
2 this case given the product mix issues? Dr. Button,
3 did you want to try that -- oh, Mr. Dorn?

4 MR. DORN: There is a product mix issue, but
5 we'd have to deal that the confidential data in terms
6 of who's populating those data points and the type of
7 furniture.

8 COMMISSIONER ARANOFF: Okay. Did anyone
9 want to add anything to that?

10 (No response.)

11 COMMISSIONER ARANOFF: All right, well I'll
12 look forward to an explanation posthearing then. All
13 right, there's just one thing that was in the domestic
14 industry's brief that I wanted to clarify. On page 19
15 of the brief you argue that domestic producers have to
16 maintain a certain minimum production level, you also
17 talk about the fact that this industry has relatively
18 high variable costs and so when there is an issue with
19 demand or with low price competition that the most
20 logical thing for producers to do normally is to
21 reduce production.

22 But then you say there's some certain
23 minimum beyond which you can't do that anymore, and I
24 just wanted to understand, did you mean by that that
25 below a certain point it just doesn't make sense to be

1 in the business anymore or is there something that
2 happens to the equipment when you're turning it on and
3 off or some other reason? I just wanted to understand
4 that argument.

5 MR. DORN: Well I think the point is that
6 variable costs are high relative to fixed cost. So if
7 the plant is running full out fixed costs are going to
8 be very, very small in relation to variable cost. But
9 obviously as you shrink the output the fixed costs do
10 start to increase on a per unit basis and at some
11 point you hit a tipping point where it doesn't make
12 sense to, you can't cover your total production cost.
13 That was the point.

14 COMMISSIONER ARANOFF: Okay, I appreciate
15 that clarification. And I think that's all of my
16 questions, so I thank all of the witnesses very much
17 for your answers. Thank you, Madam Chairman.

18 CHAIRMAN OKUN: Commissioner Williamson.

19 COMMISSIONER WILLIAMSON: Thank you, Madam
20 Chairman. Just a few questions to clear up things.
21 There's been a lot of talk about the settlement
22 agreements but I don't know whether or not you've had
23 a chance to respond to the allegation that AFMC
24 members have used the settlement process as a
25 bargaining tool to obtain lower prices from Chinese

1 suppliers?

2 MR. DORN: That is answered head on in all
3 the questionnaire responses in the confidential record
4 and you'll see that that's not taken place.

5 COMMISSIONER WILLIAMSON: Okay, thank you.
6 So is there a broader explanation you can say here or
7 should I go there?

8 MR. DORN: No, there is, there's a direct
9 question in the questionnaires about any other terms
10 or conditions and the record will show that any types
11 of price concessions or special supply arrangements
12 and so forth have not been a part of any of these
13 settlements.

14 COMMISSIONER WILLIAMSON: Okay. Okay, thank
15 you. Mr. Prillaman, you talked about a progression
16 say from adult furniture to the youth furniture as the
17 way things have naturally gone, and I was just
18 wondering why that was, it wasn't quite clear to me
19 that that, why that process had to be the way that
20 people get into the youth furniture market.

21 MR. PRILLAMAN: Okay, it really deals with
22 capacity utilization. As Mr. Dorn was just
23 mentioning, when a furniture factory can get to, you
24 know, let's say 90, 95 percent capacity utilization
25 then its fixed costs are extremely low obviously and

1 it can throw off a lot more cash. So as over the
2 course of time different manufacturers who were in the
3 adult bedroom category maxed out on their capacity and
4 they had reached let's call it market saturation or
5 what they believed to be market saturation, they then
6 said, okay let's enter the youth furniture, the youth
7 bedroom furniture market, and that in turn has
8 increased their capacity and increased their profits.
9 And that's why you've seen time and time again
10 manufacturers do so.

11 COMMISSIONER WILLIAMSON: Okay.

12 MR. PRILLAMAN: In fact Stanley Furniture
13 did the same thing. In the late 1960s we entered the
14 youth bedroom market because it was a way to increase
15 capacity utilization.

16 COMMISSIONER WILLIAMSON: But now it seems
17 like you're pursuing a strategy that says, well this
18 is the last retreat for us, or at least the last
19 viable ones in terms of bedroom furniture. You're
20 only in the youth market, you're heading towards --

21 MR. PRILLAMAN: Well I think it's very
22 important to make sure I'm clear on the point I'm
23 making about the industry that was aggressively going
24 after the adult bedroom market that would have in our
25 belief just as aggressively gone after the youth

1 bedroom market was deterred by the dumping order,
2 okay, and that's the Chinese producers, that we
3 believe they didn't repeat for the most part the
4 actions of people like us in decades past.

5 Now it's very important to note that we're
6 not getting out of the adult bedroom business. We
7 have an antiquated 1.7 million-square-foot facility
8 where we make bedroom furniture among four other
9 product lines, and we simply cannot sustain, and our
10 financials are public, we lost \$16 million in
11 operating profit over the first half of this year and
12 that is because we do not have the unit volume to
13 drive through that factory and cover the fixed cost
14 and wait out the recession with Stanleytown in its
15 current form.

16 COMMISSIONER WILLIAMSON: Okay.

17 MR. PRILLAMAN: So, you know, we're not
18 defaulting to the youth bedroom business, we've been
19 in it since the late '60s. We believe the best way
20 for us to compete is domestically there and we can't
21 make that product in that Stanleytown facility that is
22 closing.

23 COMMISSIONER WILLIAMSON: Okay, thank you
24 for that clarification. There's been a lot of talk
25 about Vietnam. I was just wondering since this is

1 something that, we have the Chinese sort of trading
2 companies and China has the capacity to, you know,
3 distribute the product, to ship it, so that's almost
4 like, it could be a separate business. So I'm
5 wondering why aren't or is there any indication that
6 they're trying to actually also source from Vietnam
7 and use their existing distribution network and things
8 like that? Has anybody seen any signs of that?

9 MR. DORN: Well I think the examples we were
10 giving you in our discussion in our brief starting at
11 52 are a situation where there's a factory in China,
12 so there's a relationship between the U.S. entity and
13 the Chinese factory in China, so obviously the U.S.
14 entity wants to promote and sell the products of its
15 own factory in China. And that's why we think if the
16 order is revoked that obviously they're going to use
17 these established channels of distribution to bring in
18 more product from China, they've got no economic
19 incentive to bring in product from Vietnam because
20 they don't have a plant in Vietnam.

21 COMMISSIONER WILLIAMSON: Okay, other than
22 maybe to label it from Vietnam.

23 MR. DORN: Pardon?

24 COMMISSIONER WILLIAMSON: Other than maybe
25 to label it from Vietnam.

1 MR. DORN: Oh, right, right, right, excuse
2 me.

3 COMMISSIONER WILLIAMSON: Okay. Okay, no I
4 was just wondering about that because, you know, there
5 have been cases where we have seen that pattern, going
6 to other countries to use their distribution network.
7 A couple of other quick questions. Despite the
8 production of the order, the number of production
9 workers in the domestic industry has fallen
10 substantially. What's the explanation for this? I
11 mean you've kind of touched on it before but I was
12 just wanting to ask the question directly.

13 MR. PRILLAMAN: I think we've covered the
14 recession, the housing market. In the case of
15 Stanleytown for instance without the order that
16 factory would have, it would have ceased bedroom
17 production many, many years ago, and the fact that
18 we're now losing those workers really shouldn't negate
19 the fact that the dumping order has been very
20 effective in keeping them working an extra five to ten
21 years past other factories in the area.

22 COMMISSIONER WILLIAMSON: Okay, thank you.
23 Mr. Bassett?

24 MR. DORN: The other factor, Commissioner,
25 would be the increase in labor productivity of about

1 38 percent from 2004 to 2009.

2 COMMISSIONER WILLIAMSON: Okay.

3 MR. DORN: So plants have become more
4 automated.

5 MR. WYATT BASSETT: I know some of the
6 question is how do you divide between domestic
7 employment or domestic market share that's been lost
8 due to imports from China or other places and the loss
9 of a third of the consumption of wooden bedroom
10 furniture in this country. What I would say is, we've
11 essentially all lost workers and lost production from
12 the fact that the overall demand has dropped so
13 significantly. But since the first administrative
14 review at the Department of Commerce, our market share
15 has remained consistent. If you're looking at a way
16 to look at relatively what we've lost versus how are
17 we doing versus the rest of the product out there,
18 we're completely holding our own against the rest of
19 the product out there since the first administrative
20 review.

21 COMMISSIONER WILLIAMSON: Okay. Mr.
22 Bassett?

23 MR. JOHN BASSETT: I think if we had known
24 about this trade law before 2003, and you have to
25 remember nobody in the government told us about the

1 trade law, we had to hire a legal firm here in
2 Washington to explain and teach us about what our
3 rights were, if we had known this two, three years
4 before, I think you would have seen a lot more of the
5 furniture business here today. We addressed this
6 literally at the eleventh hour. And there's no way I
7 can prove this, but I'm assured that if some of my
8 competitors, domestic competitors, could do it all
9 over again, would they close plants? Yes. Would they
10 close the number of plants? No.

11 COMMISSIONER WILLIAMSON: Okay. Okay, thank
12 you for that clarification. The domestic industry has
13 received substantial payments from you Byrd Amendment,
14 and I was wondering have U.S. producers used this
15 money to increase employment or how has that money
16 been used? Yes, in the back there, I'm sorry.

17 MR. BERRY: In the case of JTB, and if you
18 look at the record that we have submitted to the
19 Commission as far as the number of dollars that have
20 been spent on updating our facility, which without
21 those monies to be honest with you Rosie and I
22 wouldn't be here today. And as far as the type of
23 furniture that we make today in our facility, of
24 course we don't do, in the hotel industry we don't do
25 a lot of hand carved product, but without the updated

1 equipment that the monies have afforded us to buy the
2 most modern equipment, we still see in the marketplace
3 like I mentioned earlier with the hotel that's one
4 mile from my front door, with the cheap prices from
5 China even with the order on the Chinese producers we
6 still see in the marketplace cheap prices.

7 COMMISSIONER WILLIAMSON: Okay. Mr.
8 Bassett?

9 MR. WYATT BASSETT: I'll try to be quick.
10 The first thing to remember about the Byrd money or
11 the CDSOA money is that we don't get to keep all of
12 that. The Federal government has not agreed to let us
13 forego taxes on all that, and in our case we pay over
14 36 percent effective tax rate on everything we get.
15 After that we contribute 10 percent of what's left to
16 our employee profit sharing. So every one of our
17 employees has directly benefitted from the Byrd money
18 because we've contributed 10 percent of that after-tax
19 amount, and in our case that's over \$1.3 million to
20 our employees. When you take what's left, since 2004
21 on capital expenditures alone we spent twice that
22 amount on capital expenditures back in our business.

23 In addition to that, even with the worst
24 economy any of us have ever seen we have been able to
25 give our employees some pay raises, granted more

1 modest than we would like to. We have a health plan
2 for our employees and their family. We've opened up a
3 free clinic for all of our employees and our families
4 that they can go to to get primary medical care
5 without it costing them anything. We have bonuses for
6 our employees based on their attendance and work and
7 production bonuses. And finally most importantly we
8 still have jobs for those employees.

9 COMMISSIONER WILLIAMSON: Okay, thank you
10 for the answer. And my time is expired but I have no
11 further questions so I want to thank the witnesses for
12 their testimony.

13 CHAIRMAN OKUN: Commissioner Pinkert.

14 COMMISSIONER PINKERT: I just have a couple
15 of follow ups. Dr. Button, where do you see the level
16 of imports and the market share of the nonsubject
17 Vietnamese imports going in the next two years?

18 MR. BUTTON: Should I assume that the order
19 will stay in place or not stay in place?

20 COMMISSIONER PINKERT: I'd like you to make
21 alternative assumptions on that point.

22 MR. BUTTON: Okay. If the order is to be
23 revoked I think that imports from China will increase
24 substantially. I think that the Chinese producers
25 constitute an array of export oriented companies that

1 go for both the high and the low end. I think they
2 will compete with the Vietnamese currently in the
3 market, and there will be then kind of a cat fight
4 between those two forces over the market share.

5 One thing is clear, that as described here
6 the way they would compete against each other for
7 essentially identical looking products is via price.
8 There will be deflation, in essence price suppression
9 or depression in the U.S. furniture market. And the
10 effect on the domestic industry I think will be very,
11 very negative. However China has the logistical
12 chain, it has the capacity to design, produce, and
13 market product superior level to that of Vietnamese.
14 So I would not be surprised to see that the Chinese
15 regain market share from the Vietnamese in that kind
16 of scenario. Going forward, with respect to the other
17 scenario, I'd be happy to describe more detail in the
18 written submission.

19 COMMISSIONER PINKERT: And you can answer
20 this next one or anybody else on the panel can give
21 their views, but for purposes of this analysis of the
22 next two years, where do you assume demand is going in
23 the industry?

24 MR. BUTTON: Well what I can, I can say that
25 with respect to the current projections that we can

1 read about in the newspapers as to the macroeconomy,
2 the housing starts are not rebounding very rapidly at
3 all, they are retarded. They are retarded by problems
4 with the overhang in terms of the inventory of housing
5 that is not yet sold, the high foreclosure rates and
6 so forth. So the demand is likely to continue to be
7 relatively depressed. It will be, as I understand it
8 there's few who are expecting a very rapid recovery in
9 this sector, which is bad news, but it's the way it
10 appears to be. In that circumstance, the implication
11 is that with suppressed demand it'll be difficult to
12 get price increases and it'll be difficult, just as an
13 overall matter, for anyone to try to compete in the
14 market.

15 COMMISSIONER PINKERT: Thank you. If you
16 could model the alternative assumptions in the
17 posthearing, that would be most appreciated. And with
18 that, I thank the panel and look forward to the
19 posthearing submission.

20 CHAIRMAN OKUN: I think I just have a couple
21 of questions. I'm sure you'll help with my questions.
22 With respect to capacity utilization, what weight
23 should we place on that in predicting the impact if
24 the orders are lifted? The argument has been made
25 that in a case where you have large numbers of subject

1 imports still in the market and large influx of
2 nonsubject imports the capacity utilization rates may
3 not be a good indicator of the financial -- well, yes,
4 whether there will be impact on, what will be of
5 lifting the order. I clearly need to go to lunch, I'm
6 messing that up. But just in terms, Mr. Dorn,
7 capacity utilization as a good indicator and what will
8 happen if the order were lifted given the trend lines
9 we've seen both in the original investigation and
10 post-order?

11 MR. DORN: Well I'll have to look at your
12 precedents again, but as far as I know it's always
13 been an indicator you looked at for vulnerability of
14 an industry. And the fact that they're at 55 percent
15 capacity utilization in 2009 which is the lowest
16 during the time frame from 2001 to 2009 shows the
17 industry is highly vulnerable right now, and adding to
18 that vulnerability is the depressed demand going
19 forward and the saturation of the market with imports
20 from other countries. And typically you've looked at
21 all those factors together and said that's a highly
22 vulnerable industry and that's reason to continue an
23 order in place, not to revoke it.

24 CHAIRMAN OKUN: Right, I think the argument
25 would be and the precedence that Respondents may have

1 looked to would be those cases where we find that the
2 domestic industry, and again I know this isn't all of
3 the individual members of the domestic industry, but
4 in an industry where domestic producers choose to
5 import rather than increase production when they have
6 available capacity utilization that there is something
7 else going on rather than just that being the best
8 indicator in a highly variable cost industry that they
9 could have just increased production.

10 MR. DORN: I understand the question better
11 and we will address it in the confidential record
12 because I think there is a lot of low capacity
13 utilization rates for companies that don't import a
14 stick.

15 CHAIRMAN OKUN: Right, okay, well that will
16 be helpful posthearing. And I think that actually
17 would also be part of what I think is my last
18 question, and that goes to how we evaluate domestic
19 industry opposition to the petition and whether you
20 think there are any significant changes from the
21 original investigation where there was significant
22 industry opposition as well. Are there any changes at
23 this point that we should look at in evaluating how to
24 take that into account?

25 MR. DORN: We'll need to address this in our

1 posthearing brief but we think there's more support
2 and less opposition this time than in the original
3 investigation.

4 CHAIRMAN OKUN: Okay. With that I will look
5 forward to seeing the information posthearing and I
6 will turn to Commissioner Lane.

7 COMMISSIONER LANE: I have no further
8 questions but I want to thank this panel for the
9 answers to their questions. Mr. Dorn, do you have a
10 question of me?

11 MR. DORN: I just wonder if I could say one
12 more thing about the settlement issue that you
13 referred to?

14 COMMISSIONER LANE: Oh yes, go right ahead.

15 MR. DORN: In particular there is a
16 statement of Leslie Thompson that's submitted with
17 Squire Sander's brief and I'd like to respond to that.
18 She references a telephone call that she says we had
19 in April of 2007, and frankly I don't remember that
20 telephone conversation but if I was rude to Ms.
21 Thompson I apologize, I certainly should not have been
22 rude and I hope I was not.

23 But I do not understand her thesis in terms
24 of what we could have done for her in April of 2007.
25 She's very correct in her statement that her Chinese

1 factory Meikangchi had a cash deposit rate of 198
2 percent because it did not participate in the original
3 investigation. And she very wisely did a new shipper
4 review to get a rate for its imports in the United
5 States during June 2004 to June 2005.

6 And she was successful in that new shipper
7 review in getting her rate down to less than 2
8 percent. But as she correctly indicates in her
9 statement, her cash deposit rate did not change until
10 the final results of the new shipper review were
11 published in December of 2006. So she very wisely
12 filed a request for a first administrative review in
13 which she indicated in January of 2006 to the
14 Department of Commerce that she needed to do that
15 first administrative review to protect her entries
16 from July of 2005 to December of 2005.

17 Had she not requested that first
18 administrative review those entries would have been
19 hit with 198 percent. As a result of participating in
20 the first administrative review her margin was 36
21 percent from the first administrative review. Now she
22 says she called me in April of 2007, that would have
23 been after she requested a second administrative
24 review, and again she was very wise to request a
25 second administrative review because had she not done

1 so all of her entries in 2006 would have been
2 liquidated at 198 percent but by requesting a second
3 administrative review she was able to participate and
4 get the separate rate of 32 percent.

5 So she complains that we did not agree to
6 take her off the review list, but had we done so, and
7 we had no ability to do so at that point because she
8 had her own review request, but had she gotten off the
9 review list she would have ended up with 198 percent
10 duties in 2006 rather than the 32 percent and also her
11 cash deposit rate going forward would have been 36
12 percent rather than 32 percent. So it's an extremely
13 confusing system, I can understand how she might be
14 confused about it, I congratulate her because I think
15 she did the best she could for her company in terms of
16 reducing her duty liability, but frankly I don't
17 understand what I could have done to make her
18 situation any better.

19 COMMISSIONER LANE: Okay, thank you. And I
20 want to thank the panel again for their answers.
21 thank you.

22 CHAIRMAN OKUN: Commissioner Pearson? Do
23 any of my colleagues have further questions for this
24 panel?

25 (No response.)

1 CHAIRMAN OKUN: Does staff have questions
2 for this panel?

3 MR. DEYMAN: I'm George Deyman, Office of
4 Investigations. The staff has no questions.

5 CHAIRMAN OKUN: Do those in opposition to
6 the order have questions for this panel?

7 MR. SILVERMAN: No.

8 CHAIRMAN OKUN: Do I have someone -- yes,
9 Mr. Silverman indicates there are no questions. Well
10 with that I want to take another opportunity to thank
11 this panel for being here and for all the answers
12 you've given and we'll look forward to your continued
13 participation. I think this would be an excellent
14 time to take a break for lunch. We will take an hour
15 and we will recess until 2:05. I will remind parties
16 that this room is not secure so please take any
17 confidential information with you. And this hearing
18 now stands in recess.

19 (Whereupon, at 1:07 p.m., the hearing in the
20 above-entitled matter was recessed, to reconvene at
21 2:05 p.m. this same day, Tuesday, October 5, 2010.)

22 //

23 //

24 //

25 //

1 no ordinary sunset review. We now have close to six
2 years of experience with an antidumping order on wood
3 bedroom furniture that over that time has failed to
4 achieve any legitimate purpose of the antidumping
5 statute.

6 Importantly it has also been in my view a
7 corrupting influence in the sense that a group of
8 companies that came before you six years ago as at
9 least nominally champions of U.S. production and U.S.
10 jobs have used the order as a means to line their own
11 pockets with Byrd Amendment and administrative review
12 settlement monies without any demonstrable benefit for
13 the U.S. wooden bedroom furniture industry as a whole
14 or for its workers.

15 Now to be fair the order would not have
16 worked to preserve U.S. production and U.S. jobs
17 despite all the testimony you heard in the initial
18 investigation because it has always been running
19 against fundamental economics that it could never and
20 can never trump. Much of our testimony today will
21 focus on those fundamental economics, and that is what
22 I would urge you to focus on as well.

23 When I was here a bit short of six years
24 ago, we appeared before you to say that the economics
25 of this business, and by that I mean particularly the

1 significance of labor costs on the production side of
2 the equation and the discretionary nature of purchase
3 decisions on the demand side meant that the
4 antidumping order that Petitioners wanted against wood
5 bedroom furniture from China would simply shift
6 sourcing from China to even lower labor cost countries
7 like Vietnam, Indonesia, or Malaysia.

8 Petitioners if you go through the transcript
9 of the earlier conference insisted that that could not
10 and would not happen. The record of this review shows
11 very, very clearly that we were right then and they
12 were wrong then. And we are right now in terms of
13 what revocation will or won't do, and they are wrong
14 as they were six years ago. Again nearly six years
15 ago we appeared before you to say that the future of
16 the U.S. wooden bedroom furniture industry was with
17 what's called blended production.

18 And by that I mean producing in the United
19 States furniture that can be competitively produced
20 here and sourcing offshore furniture that cannot be
21 competitively produced domestically. The Petitioners
22 at the time, if you go back to the transcript, scoffed
23 at the idea of blended production, saying it was
24 simply another name for material injury. Well since
25 we last appeared before you, all larger, and let me

1 repeat that, all larger U.S. companies including
2 Petitioners have implemented their own blended
3 sourcing strategies.

4 Even as the order was entering into effect
5 Bassett and the La-Z-Boy companies were shutting down
6 the U.S. plants and turning to imports for the bulk of
7 their supply. And if you read their financial
8 statements what they say in effect is that, we no
9 longer produce significant volumes of pace goods in
10 the United States. The latest convert is Stanley,
11 which announced in May of this year that it would turn
12 its Stanleytown plant into a warehousing facility and
13 outsource all of its adult furniture line.

14 Now what Mr. Prillaman had testified today
15 failed to indicate was that if you read his own
16 company's 2009 annual report what you will find is
17 that he said during 2009 we moved most of our
18 production sourced in China to Indonesia and to
19 Vietnam. And in other words again one of the major
20 U.S. companies that claim to be here to protect U.S.
21 jobs and U.S. production has made a decision to move
22 its entire adult furniture production line including
23 bedroom offshore.

24 The only real surprise to me in the way the
25 order has operated, and in retrospect it should not

1 have been a surprise, has been the Petitioners' own
2 complicity in limiting the impact of the order. The
3 only realistic options they ever faced were to press
4 for higher dumping duties through successive
5 administrative reviews of all major suppliers, which
6 would have either failed because the margins would
7 have been very low, or simply accelerated the shift to
8 third countries, or alternatively accept lower dumping
9 margins that would guarantee continuing high levels of
10 subject imports that were sufficient to generate
11 sufficient levels of Byrd and settlement agreement
12 revenues.

13 They very deliberately chose the latter.
14 Let me repeat. This is a question of choice. That is
15 they chose to accept dumping margins that would allow
16 a continuing level of significant subject imports
17 because it allowed them to reap money from this order.
18 Given the options it's pretty easy to understand the
19 Petitioners' choice. At the same time, and I submit
20 to you it is impossible to argue seriously that the
21 generation of Byrd Amendment monies or settlement
22 agreement revenues by a subset of U.S. producers that
23 collectively account for a fraction of U.S. production
24 of wooden bedroom furniture is a benefit to the U.S.
25 wood bedroom furniture industry as a whole or for that

1 matter to even argue that it is a legitimate objective
2 of the U.S. antidumping law.

3 Before turning the microphone over to Mr.
4 Grimson let me run through pretty briefly how the
5 facts of this case fit with the statutory criteria and
6 with the governing precedence both of the Commission
7 and of the courts. The issue here isn't the
8 vulnerability of the domestic industry. They're going
9 through a very tough time, there's no question about
10 that. The issue here is one of causation. That is,
11 is there a legitimate cause and effect relationship
12 between the order, and revocation of the order, and
13 the condition of the U.S. industry?

14 And on that point I would say to you that
15 the record before you is unambiguous. The issue again
16 is not whether the U.S. industry is vulnerable to
17 imports from all sources, it's whether it is
18 vulnerable to subject imports. If you look at the
19 data collected by the Commission, you will see steady
20 year on year declines in U.S. production, in U.S.
21 employment. As a matter of fact you will see that the
22 order had no discernible effect on what was made here
23 or who was making it here.

24 It is true that in the first couple of years
25 after the order went into effect when the market was

1 pretty strong the financial performance of the U.S.
2 industry improved, and at the time if you go back and
3 you read the transcript of the initial investigation
4 we had said to you that what would happen with the
5 blended production strategies is a smaller but
6 stronger U.S. industry. And that in effect is exactly
7 what happened.

8 Note that in 2005, 2006, 2007 even, imports
9 from China, subject imports were higher than they were
10 in 2004. The change in the financial performance of
11 the United States industry coincided not with a drop -
12 - I'm sorry, not with the rise, a continuing rise in
13 subject imports, but with a drop in subject imports
14 and their substitution by lower priced imports from
15 Vietnam. If you were prisoners to your sort of
16 standard trend analysis, that divergence of or the
17 lack of correlation between falling imports and rising
18 U.S. performance would be dispositive.

19 Now I don't want to say to you that that is
20 or should be the only thing you look at, but on the
21 trend analysis there is no case here. So then it
22 seems to me the next step in your analysis has to be
23 to ask the question, did the order do anything other
24 than lead to a shift in imports from China to Vietnam
25 but also to Indonesia and to Malaysia, to third

1 countries largely in lower wage Asian production
2 platform?

3 And again it seems to me that the data are
4 very clear. There is no discernible benefit to the
5 U.S. industry, but there is a very clear substitution
6 effect that the order has had in terms of the sourcing
7 of imports. Perhaps because there is zero evidence in
8 the record over the past five years to support the
9 claim that the order had any measurable impact on the
10 operations of the domestic industry, it is impossible
11 to assert by pointing to the evidence a likelihood
12 that the revocation would affect either the volume of
13 domestic production or its pricing.

14 Petitioners this morning and Petitioners in
15 their brief rely almost exclusively on assertions
16 about what is going to happen. And it is true that
17 there is a narrative in the set of narrative responses
18 that suggest that if the order on China were removed
19 importers and others might look more favorably to
20 China as a source of supply. But the point here is
21 that is not as an alternative to domestic production,
22 it is as an alternative to third country supply.

23 In our brief we gave you a fairly detailed
24 analysis on how the economics, particularly the labor
25 cost, of producing wooden bedroom furniture affects

1 the business and makes various types of domestically
2 produced furniture either competitive or not. That
3 does not have the benefit of working off questions
4 that you asked, but we were able to look through the
5 record and do our own analysis which I think is pretty
6 telling.

7 Finally you will hear today, and it is
8 something I urge you to take in account, that even if
9 the order were to be revoked the idea that there would
10 be a flood of imports from China, even if only at the
11 expense of imports in Vietnam, is untrue for a number
12 of reasons. First China labor costs have risen far
13 above those in Vietnam, in Indonesia, and in other low
14 labor cost countries. Second there are labor
15 shortages in China which are well documented.

16 Third the value of China's currency has
17 appreciated, not only relative to the dollar but
18 relative to other third country currencies. Fourth
19 China has reduced its wooden bedroom capacity over the
20 past several years. And lastly an increasing part of
21 Chinese production is in fact dedicated to its home
22 market. Let me close by reminding the Commission of
23 two points.

24 One is that there is substantial industry
25 opposition to this which reinforces our point that the

1 order has done nothing of benefit for the U.S.
2 industry as a whole. And second, for reasons of
3 integrity I hope that you will take seriously the
4 issue of whether or not an antidumping order serves
5 any legitimate purpose when its primary function has
6 been as a source of revenue, whether Byrd Amendment or
7 settlement agreement funds, for a subset of domestic
8 producers. With that overview let me turn over to
9 Jeff Grimson.

10 MR. GRIMSON: Thank you. Good afternoon.
11 I'm Jeffrey Grimson with the law firm Mowry & Grimson.
12 I am joined here by my partners Kristin Mowry and Jill
13 Cramer. I'm going to discuss several issues raised in
14 our prehearing brief on behalf of a coalition of
15 companies including Ashley Furniture Industries,
16 American Signature, Fine Furniture Design, Hillsdale
17 Furniture, Home Meridian International, Lifestyle,
18 RiversEdge, and TM International.

19 These companies are opposed to continuation
20 of import duties on wooden bedroom furniture from
21 China. As you've heard this afternoon the dumping
22 order is having no impact on the domestic industry as
23 a whole. In fact only a portion of the domestic
24 industry wants this dumping order to continue. And
25 we're limited to what we can say in the public

1 session, but let's just say that a significant share
2 of the industry wants this order gone.

3 The industry remains sharply divided, very
4 similar to six years ago. The Commission should keep
5 this in mind when evaluating the anecdotal evidence
6 that Chinese pricing affects the domestic industry.
7 And I say "anecdotal evidence" because the record does
8 not provide hard data to even suggest a causal link
9 between subject imports and the condition of the
10 domestic industry. Again this is an area that is
11 quite difficult to discuss in the public session but
12 I'd commend the Commission to the last section of our
13 brief starting at around page 19.

14 There we take you through an analysis of
15 each of the pricing series including the underlying
16 raw data that was released by the Commission staff.
17 The Commission's pricing data do not support the
18 Petitioners' anecdotal evidence that subject imports
19 are having a negative impact on the domestic industry
20 or that they would resume such an impact if the order
21 were revoked.

22 The data paint the opposite picture
23 actually. We do not see any trend indicating price
24 suppression or depression. There is little if any
25 convergence in the pricing data at all. This makes

1 sense since the underlying raw data indicate that
2 subject imports and the domestic like product are not
3 in competition in these pricing categories. This
4 confirms our position that there is no causal link
5 between subject imports from China and the condition
6 of the domestic industry.

7 The Petitioners have allowed the lion's
8 share of imports from China to remain subject to the
9 low 7.24 percent antidumping rate calculated in the
10 original investigation. We invite the Commission to
11 compare this antidumping rate with the rates of any
12 apparent underselling found in the pricing product
13 categories. Obviously we're not talking about true
14 underselling due to unfair pricing. The magnitude of
15 the apparent underselling is such that the Chinese and
16 domestic products simply cannot be in competition with
17 each other.

18 What has this order done for the domestic
19 industry? The industry as a whole has not reacted as
20 would be expected by having the extraordinary relief
21 of import duties. Domestic production has not
22 increased, and you heard this morning that overall
23 conditions still are not good. This begs the question
24 as to whether this has anything to do with subject
25 imports. In our brief we compared the dumping order

1 with the condition of the domestic industry during the
2 latter part of the period when Chinese exports dropped
3 off. It's clear there is no connection between the
4 volume of subject imports present in the market and
5 the condition of the domestic industry.

6 During the period of review, the domestic
7 industry continued to import, rather than add domestic
8 production. The actual figures again are
9 confidential, but we invite the Commission to look at
10 the total domestic industry members' imports shown on
11 page 14 of our brief, and ask the question why the
12 industry did not fill those orders from its own
13 production.

14 As mentioned in the footnote on that page,
15 we also request that the Commission tabulate the
16 domestic industry's imports from Vietnam, which are
17 not included in this figure. The Commission took the
18 somewhat unusual step in this case of collecting
19 detailed import information on a third country. It
20 would be extremely helpful for evaluating the domestic
21 industry's response to having import relief to see the
22 industry-wide figures on direct imports from Vietnam.

23 Vietnam and other non-subject imports play a
24 significant role in the market, and cannot be ignored.
25 But the Petitioners have argued that the presence of

1 non-subject imports makes the domestic industry more
2 vulnerable to renewed injury from subject imports.

3 However, this is not a case -- this is a
4 case about China, and not Vietnam or some other
5 country. Again, we invite the Commission to compare
6 the average unit value of China versus Vietnam,
7 appearing in the summary data table on page C-1 of the
8 staff report. Again, this is confidential.

9 If the Petitioners cannot compete against
10 fairly traded imports from Vietnam, then you have to
11 ask yourself what is the point of keeping duties on
12 China. The orders are not coming back to the United
13 States. Whether it is China, Vietnam, or some other
14 lower-cost country beyond the horizon, the facts now
15 confirm that continuing import duties has not and will
16 not improve the condition of the domestic industry.

17 There is simply no connection between the
18 pricing of subject imports and the domestic like
19 products. The record does not support any causal link
20 between subject import prices and domestic prices.

21 Since this is now confirmed by the data,
22 it's not credible to argue that goods from Vietnam
23 have any impact on the domestic industry because of
24 their price point. The presence of substitutable
25 imports from third countries is a factor the

1 Commission must consider when weighing whether to
2 continue the duties. We're talking here not about
3 whether furniture orders will return to the U.S., but
4 which foreign country will supply the market served by
5 imports.

6 This is not a case that should we continued
7 to benefit third-country imports, nor to pay out some
8 Byrd distributions to a select few Petitioners justify
9 continuing the orders.

10 Five years ago many domestic producers and
11 Respondents warned the Commission that the dumping
12 order would do no good for the U.S. industry. The
13 data now proves that we were right. For these
14 reasons, and on behalf of our clients, we ask that the
15 Commission vote to terminate the dumping order.

16 Thank you very much. I believe our next
17 witness is Mr. George Tsai from Fairmont.

18 MR. TSAI: This is George Tsai. I am
19 Chairman of Fairmont Designs of Buena Park,
20 California, since 1984. This year the company
21 celebrates its 26th anniversary.

22 Fairmont Designs employs some 250 people in
23 the United States. We operate an upholstery factory
24 in Los Angeles. We also have three wood furniture
25 manufacturing facilities in China, including of

1 bedroom furniture.

2 We produce and supply a full range of
3 furniture, not just wooden bedroom furniture. We
4 service home industry and hospitality industry in the
5 United States and globally, in Asia, Europe, Middle
6 East, and Africa.

7 Born in Taiwan, I later became an American
8 citizen. I have been so for 30 years, attracted to
9 the values of this country. I'm here to testify at
10 the request of, and on behalf of, the GuangDong
11 Furniture Association Trade Committee. It is composed
12 of 55 Chinese producers, and expects orders of subject
13 wooden bedroom furniture.

14 A lot has happened since the Commission's
15 2004 final affirmative injury decision in the original
16 investigation. The following developments indicate
17 the revocation of the anti-dumping order on Chinese
18 wooden bedroom furniture is not likely to injure U.S.
19 industry.

20 First, China is not the same. Furniture
21 wages in China have surged at a 50-percent annual
22 rate. See slide no. 1. Further, wages in China are
23 now around three to four times higher than wages in
24 countries that are now the dominant supplier of wooden
25 bedroom furniture to the United States, most notably

1 Vietnam, but also others such as Indonesia, which has
2 a determinative U.S. presence now. And this is slide
3 no. 2. It gives you a comparison of different
4 countries, the average salaries, from Economist
5 Magazine Research Unit.

6 My company has 4,000 workers in China, so I
7 know China labor costs quite well. The litany of
8 experts from Princeton University, CitiBank, Morgan
9 Stanley, and elsewhere say that China is now at the
10 so-called Lewis turning point, which basically
11 describes an economic state of surplus labor vanishing
12 quickly, acute labor shortage prevailing, wages
13 surging, with other countries now emerging as the
14 dominant suppliers, giving an increasingly
15 uncompetitive China.

16 China is right in the middle of that Lewis
17 turning point. This is definitely true of wooden
18 bedroom furniture manufacturers. The Chinese
19 furniture industry competes for labor with other far
20 more attractive export industries.

21 For example, workers who are born in the
22 eighties and nineties, 20 years old, prefer to
23 assemble iPhones and iPads in air-conditioned
24 factories. Job openings now exceed seed-job workers
25 by as much as 26 to 30 percent. My company in

1 particular has been plagued by this labor shortage
2 since 2006.

3 Further, the Chinese yen R and B has
4 significantly appreciated against the U.S. dollar.
5 Over 30 percent, over the pertinent period. According
6 to the experts, including their predictions over the
7 next two years that I understand are also pertinent to
8 this sunset review. See slide no. 4.

9 Perhaps more significant, the Chinese yen is
10 significantly appreciating against the currency of
11 other major wooden bedroom furniture suppliers to the
12 United States, such as Vietnam. The Vietnamese dong
13 in particular is trending towards over a 20-percent
14 depreciation against the U.S. dollar over the
15 pertinent period. We are all now looking at slide 5.

16 All told, that is a 50-percent appreciation
17 of the Chinese yen over the Vietnamese dong. Fifty
18 percent.

19 Similar trends exist as to the Malaysian and
20 Indonesian currencies, as we have graphed in Exhibit 3
21 of our prehearing brief.

22 Finally, the domestic China wooden bedroom
23 furniture market is booming. See slide no. 6. My
24 company, Fairmont Designs, for instance has
25 aggressively pursued China's domestic market, where

1 today we have 110 franchised stores under Fairmont
2 Designs across China. We are not alone. Many
3 furniture exporters have turned their focus to the
4 growing Chinese market.

5 Non-Chinese wooden bedroom furniture
6 imports, Vietnam, Indonesia, and Malaysia, now
7 dominate. You can see that in slide no. 7. That
8 slide covers the first half of 2010, this year. And
9 so updates the Commission staff report, which only
10 covers through 2009, last year.

11 As you can see from this chart, Vietnam now
12 is responsible for 32.12 percent of wooden bedroom
13 imports into the United States, where China trails by
14 roughly seven to eight percent. Malaysia is up there,
15 with 11.34 percent, and Indonesia made a big jump from
16 2009 to 2010, to 8.54 percent.

17 And let's go to slide 8. Slide 8 evidences
18 that Vietnam has surged past China as the number-one
19 supplier to the United States of wooden bedroom
20 furniture. Again, updating the figures to 2010.

21 Basically, what I did there is to annualize
22 it: take the first half of your data of 2010,
23 multiply by two, you get your annualized data.

24 For 2010, Vietnam is destined to out-ship
25 China by 200 million U.S. dollars. That trend is

1 expected to continue. Let's go to slide 9.

2 In slide 9 you will see the surging imports
3 from Vietnam are across the board to all furniture
4 categories. They are not just to, they are not just
5 as to wooden bedroom furniture, but it reflects the
6 overarching transition in comparative advantage away
7 from China to Vietnam and other Asian non-subject
8 countries.

9 Slide 10 evidences Vietnam's huge surging
10 wooden bedroom furniture production capacity, and its
11 focus on the U.S. market. This, I'd like to comment
12 on this, this graph here.

13 I interviewed the top 10 shippers in
14 Vietnam. Those top 10 shippers are basically China
15 transplants. They originally were producing bedrooms,
16 or are currently still producing some bedrooms in
17 China, and have moved to Vietnam.

18 And I asked them to give me a good estimate
19 of the size of the Vietnamese industry: How many
20 production lines are there? How many finishing lines
21 are there? I also interviewed a key equipment,
22 finishing equipment supplier to Vietnam, and this
23 company has sold over 74 finishing lines over the last
24 10 years to Vietnam. So with that interview and with
25 our data, this is what I have come up with.

1 As you can see, if U.S. economy improves and
2 demand for affordable wooden bedroom furniture
3 increases, more Vietnam finishing lines could be
4 switched to wooden bedroom furniture production.
5 Currently, currently, there are 120 finishing lines in
6 Vietnam. In 2004, there were only approximately about
7 60 finishing lines. So from 2004 to 2010 they added
8 another, they doubled the number of finishing lines.
9 They doubled the capacity of all wood furniture. And
10 right now, 60 out of the 120 finishing lines are
11 dedicated to wooden bedroom furniture.

12 In that regard, the graph slide 10 is, we're
13 looking at that, is a very conservative estimate of
14 Vietnam wooden bedroom furniture capacity. It has
15 extra capacity to sustain growth. And if you look
16 from 2004 to 2010 analyzed, you are talking about
17 Vietnam pumping, on an average, 100 million extra
18 bedrooms, wooden bedroom furniture, into the United
19 States.

20 In contrast, as I noted, China does not have
21 those switching capacities. China does not have the
22 workers to run its existing lines. And China's cost
23 base of manufacturing has widened over the last five
24 years, due to the yen currency appreciation, labor
25 cost increases, et cetera.

1 U.S. wooden bedroom furniture production
2 capacity and actual production have consistently
3 fallen over the period of anti-dumping order from
4 China, from 2004 and onward. We all know that. The
5 anti-dumping order did not benefit the U.S. production
6 and manufacturing.

7 The Petitioners claim that the U.S. wooden
8 bedroom furniture industry profit and cash flow
9 temporarily improved from 2004 to 2006. They assert
10 that the reason is the anti-dumping order.

11 Well, let me show you some other analysis.
12 But let me remind you, during that time 2004 to 2006,
13 the entire U.S. furniture industry was surfing high on
14 the bubbling U.S. economy of that period. Let's go to
15 slide 11.

16 Slide 11 shows sales over, from 2001 to
17 2009. This is data taken from U.S. Census Bureau.
18 And as you can see in slide, it peaked in 2006, and
19 then it came down. So everybody had a good ride. Let
20 me continue.

21 So this is sales over the period, and then
22 cash flow is next. Cash flow is equal to working
23 capital. It also peaked, it also peaked around
24 2006/2007.

25 What I'm saying here is the rising tide

1 lifted all boats; not just wooden bedroom furniture,
2 but everything. It had nothing to do with an anti-
3 dumping order. And that was also my own experienced
4 in the broad furniture industry. That's the net
5 income.

6 Others have and will address Petitioners'
7 settlement scheme, and I heard some comments this
8 morning. I only add, I only add that it is also
9 widely known in the marketplace, and in Chinese
10 furniture industry, that it is good for a Chinese
11 exporter to sell wooden bedroom furniture to
12 Petitioners, to get far better settlement terms. Our
13 confidential prehearing brief documents this fact with
14 specific evidence.

15 I, George Tsai, a U.S. businessman, a U.S.
16 citizen, appreciate your attention to this matter.
17 Thank you.

18 CHAIRMAN OKUN: Please proceed.

19 MR. KOENIG: Good afternoon, members of the
20 Commission. My name is Keith Koenig. I'm your basic
21 furniture retailer. I'm President of City Furniture,
22 a chain of furniture stores in south Florida.

23 I've been in the retail furniture business
24 for 39 years. And I'm also here representing the
25 Furniture Retailers of America, which represents

1 dozens of furniture retailers, furniture importers,
2 and U.S. furniture manufacturers.

3 I am here also with great respect for my
4 good friends, the Bassetts, and all of the other fine
5 Petitioners that we have here. I am here with great
6 respect to them, but I'm here because I believe in
7 free and fair trade. Just as I believe you do, also.
8 And I don't believe the current state of this anti-
9 dumping order is promoting either of those.

10 As President of City Furniture, I can
11 explain how the retail furniture business works. At
12 City Furniture, like most retailers in most
13 industries, we buy what the customer wants to buy. We
14 are agents for our customers. We don't select based
15 on country of origin; we select what our customers
16 want to buy.

17 Would we prefer to buy domestically?
18 Absolutely. One hundred percent of the time, we do.
19 In fact, our company owns a U.S. furniture
20 manufacturing facility, a factory in Mississippi that
21 manufactures upholstered furniture.

22 Upholstered furniture is sofas and loveseats
23 and sleepers and the like. And those are items that
24 we compete on a global level, in our stores, against
25 Chinese or international imports from Italy or around

1 the world. We make here in the U.S. what needs to be
2 made here in the U.S., and we import what should be
3 imported.

4 And by the way, we also continue to buy a
5 lot of domestic bedroom furniture made in the U.S. We
6 buy over a million dollars in annual purchases of
7 domestically made bedroom furniture. Those items that
8 should be made here, and are efficiently made here,
9 and the consumer wants, we buy it. And we prefer it
10 because we can generally get quicker inventory turns.
11 Many of the Petitioners have learned that speed to
12 market is a competitive advantage. It's not just
13 price.

14 And that's why I say the big issue I'd like
15 to share is the issue of globalization. In China, we
16 buy from Marcorp, who, as you may know, got a zero
17 duty, and is not a dumper, and is exempt from the
18 order, and various other factories in China and around
19 the world. I can tell you anecdotally, I see no
20 difference in how Marcorp or any of the other Chinese
21 factories operate.

22 I've been in factories in the United States,
23 including some of the Petitioners, and I've been in
24 countless factories in China, Vietnam, Indonesia,
25 Malaysia, and elsewhere. I can tell you from a lot of

1 experience what retailers will predict this market
2 will look like if the dumping duties are terminated,
3 or if they are maintained. And truthfully, the
4 outlook is essentially the same.

5 Wooden bedroom furniture, as you know,
6 imports is nothing new. It started in the 1990s.
7 Well before this trade dispute erupted in 2004, major
8 U.S. producers began to come to the conclusion that
9 bedroom styles that require lots of labor simply cost
10 too much to produce in the United States. So they
11 encouraged the establishment of furniture factories in
12 China to serve the market.

13 There was no complaint of dumping encouraged
14 by U.S. producers, and a result of basic economics, by
15 the time of the original anti-dumping investigation in
16 2004, U.S. producers had shifted some of their
17 production to China, and some of that was beginning to
18 ship to Vietnam. U.S. producers managed to profit
19 from this by acting as middlemen.

20 At the same time, U.S. producers figured out
21 to, how to profitably produce in the U.S. This
22 evolved, and then the Chinese manufacturers found that
23 they could go often direct to retailers. And I
24 believe some of that induced the anti-dumping
25 activities that we saw. Because the U.S. importers

1 and the U.S. domestic producers actually started
2 losing business on a more direct basis.

3 What has happened since the filing of the
4 anti-dumping petition, the same economic trends have
5 continued. For products that can be made with
6 relatively low amounts of labor, or can offer
7 competitive benefits such as quicker delivery, the
8 U.S. production has won, and will continue to win, and
9 will win in the future. Because that advantage is
10 unbeatable by the Asian factories, the speed to
11 market.

12 But for labor-intensive products, these
13 products will continue to be made in China, Vietnam,
14 Indonesia, and throughout the world. In fact, many of
15 the industry experts believe that much of China is on
16 its way down, just as George Tsai was pointing out,
17 because Indonesia is coming on so strongly.

18 The anti-dumping order has changed
19 relatively nothing of these basic economic forces.
20 What it has done, however, is to reshuffle some of the
21 import sources. The main thing the anti-dumping order
22 did was accelerate the transfer from China to Vietnam.
23 I can tell you since 2004, my purchases of U.S.-made
24 goods has, has not ceased. What has increased
25 dramatically is my purchases from Vietnam and

1 Indonesia and Malaysia. Many, many members of the FRA
2 have experienced the exact same thing.

3 All we have to do to look at this shift is
4 look at what's happened on the production side. With
5 the anti-dumping order we didn't see jobs come back to
6 the United States. Now, granted, we've had one heck
7 of a darn tough recession, but I don't believe that's
8 going to happen in any company that can't compete on a
9 global basis. For the labor-intensive products, they
10 will continue to be made in low-cost countries.

11 Now, this raises the larger point, and what
12 I believe is central to this anti-dumping order. The
13 U.S. producers that have taken a part of this law and
14 have used it for settlements, in my estimation, is
15 wrong. It's simply wrong.

16 I talk to the Chinese factories that do
17 business, that have to do business this way, and they
18 all look at me, and they look and say what's the
19 matter with your country. How can this make sense?
20 This is not fair.

21 And it's that central fairness of the
22 settlement issue and using the administrative review
23 to the benefit and the disadvantage of producers
24 around the world, only benefits Vietnamese producers,
25 disadvantages the Chinese producers; the American

1 consumer is not enhanced, and the U.S. production is
2 not enhanced.

3 So these are my predictions if the dumping
4 orders continue. What we will see is a continual
5 globalization. On the other hand, if the dumping
6 order is terminated, I believe many domestic companies
7 will continue to import, but they'll import from
8 around the world. The only difference is the big
9 settlement changes will not happen.

10 Now, it's kind of like Wyatt Bassett's
11 wonderful example of his \$19.99 khakis that he buys
12 from Walmart. We could put a 70-percent or a seven-
13 percent or a 700-percent duty on whatever is, for
14 whatever country is making those khakis; they'll just
15 end up moving to another country to produce them
16 efficiently to meet the needs of the American
17 consumer.

18 That is why the major, major domestic
19 bedroom furniture producers, such as Ashley, who
20 compete on a global level, extremely successfully, in
21 thousands of retailers across the country -- we have
22 about 37,000 retail stores across the country, and I
23 can't poll them all. But I'll tell you, out of the
24 people that I talk to in the retail business, all the
25 people, major players that I know, support the ending

1 of the anti-dumping. And that's why we feel this
2 order should be ended.

3 Thank you very much.

4 MS. THOMPSON: I am Leslie Thompson; my
5 husband and I own Up Country, a small furniture
6 company in Georgia. We import wooden bedroom
7 furniture from China, and are the U.S. distributor for
8 another company that's based in France.

9 We sell to a niche wooden bedroom furniture
10 market, most specifically design beds, not to mass-
11 market retailers like Petitioners. We have never
12 purchased wooden bedroom furniture from any U.S.
13 producer because the style of furniture we sell is
14 primarily European, which is historically not made in
15 factories at all, but in small workshops.

16 As the U.S. dollar declined against the Euro
17 during the years preceding 2004, we've sensed
18 importing from Europe become increasingly difficult.
19 So we went to China looking for other sources.

20 We found it difficult to find a Chinese
21 factory that would accept small orders for our niche
22 market that's really good toward designers, as opposed
23 to retailers.

24 After repeatedly facing this problem, we
25 opened our own small factory or workshop, employing 65

1 people, in a town north of Shanghai. We dedicated our
2 factory in June of 2004. We mortgaged our house to do
3 this.

4 After about a week that our factory was
5 dedicated, the U.S. Department of Commerce imposed the
6 anti-dumping duty of 198 percent on wooden bedroom
7 furniture from China. This duty applied to all
8 Chinese companies, even to those that had not exported
9 to the United States as yet, which of course included
10 us. This created a huge financial burden for our
11 company, as we sought to cover the enormous anti-
12 dumping duty cash deposits required.

13 In November of 2004, as part of the
14 furniture retailers, I met with then-Assistant
15 Secretary of Commerce, Jim Yokum. He told me that
16 what had happened to our company is not the objective
17 of the U.S. anti-dumping law. And he recommended that
18 our company pursue what is called a new shipper review
19 at Commerce so that we could get our own dumping rate.

20 We are a very small company, and could not
21 afford the legal counsel to do the new shipper review.
22 We tackled this huge task, pro se, for our Chinese
23 company, Mikenji Antong Furniture Company, Ltd.

24 After about a year of investigation and
25 trips to China and our offices in Atlanta, in December

1 of 2006 the Department of Commerce gave us an anti-
2 dumping duty margin of 1.17 percent. That was a day
3 of rejoicing at our company.

4 But only a month later, the Petitioners
5 requested that we be included in the new
6 administrative review. I also requested that we be
7 included in the review so I could get back some of the
8 money that we had deposited for the previous season.
9 Because I'm not an attorney, I did not realize in
10 doing that, I would lose my new shipper review.

11 When I did realize that, I called the
12 officials at the Department of Commerce and came to
13 Washington in the spring of 2007, and met with
14 Commerce officials to ask them what I could do. They
15 told me that I could write a letter and request the
16 withdrawal of my request to be reviewed.

17 But the more difficult thing that I would
18 have to do is to get the Petitioners to withdraw the
19 request I be reviewed. Since I was in Washington,
20 they recommended that I call King & Spalding and ask
21 to sit with Joe Dorn and have a meeting with him. So
22 that day I called King & Spalding, and they put me
23 straight through to Mr. Dorn.

24 I explained to Mr. Dorn our situation, and
25 asked the Petitioners to withdraw their request that

1 we be reviewed. I told him that we had no impact on
2 the Petitioners because of our size, the products we
3 sell, and our customer base, besides the fact that
4 we'd just been reviewed and earned the duty of 1.17
5 percent. This was putting aside the fact that, to me,
6 was frustrating, because the Petitioners, too, were
7 importing.

8 Mr. Dorn said back to me, what can you do
9 for me. I was taken aback at what he said, and asked
10 him for clarification. Mr. Dorn restated the
11 question; asked me what I could give him that would
12 entice his client, the Petitioners, to drop me from
13 the review.

14 I appealed to him that we are a 100-percent
15 American-owned company involved in a niche product
16 that is not competition for the Petitioners at all,
17 and asked him just to let us off the review list.

18 Mr. Dorn said he could not do that, and
19 added you could talk directly to my client. I asked
20 him if he met Mr. Bassett, and he replied yes.

21 I later came to understand more about the
22 amounts that Mr. Dorn was seeking, as discussed in my
23 Exhibit 7 in the prehearing brief.

24 My husband and I were not, and are not,
25 willing to pay what we felt like we believe were

1 extortion payments. When he asked what can you do for
2 me, I felt like I was in a grade-B movie. I've since
3 heard that Petitioners have a payment scheme that is
4 widespread and very well known in the furniture trade
5 community. In other words, the Petitioners request
6 reviews of essentially all Chinese exporters, and then
7 let it be known that these exporters can buy their way
8 off the list by paying them money. If they pay, the
9 Petitioners withdraw the request that they be
10 reviewed.

11 After my conversation with Mr. Dorn, I
12 immediately called the officials at the Department of
13 Commerce that I had just met with earlier that
14 morning. I told them what Mr. Dorn had said. The
15 Commerce officials told me that they had heard reports
16 of such payments, and were not happy about them; but
17 they felt that they could do nothing about them,
18 because the Department of Commerce had no authority or
19 jurisdiction to act on such matters.

20 I've since lost the 1.17 dumping margin that
21 I got in the new shipper review. I was too small to
22 be selected, to be individually reviewed in any
23 subsequent Commerce annual administrative review. At
24 one point I asked to be reviewed as a voluntary
25 respondent, which was not supported by the

1 Petitioners, either.

2 Consequently, we just got the dumping margin
3 earned by other larger Chinese wooden bedroom
4 furniture exporters who were reviewed. Although such
5 result had absolutely nothing to do with the huge
6 amount of work that we did and Commerce did to find
7 out to what degree we were dumping.

8 Our dumping margin went up to more than 30
9 percent, versus the 1.17 percent found specifically
10 for us, after hundreds of hours of preparation and
11 investigation. The high anti-dumping duties have
12 devastated our business. We could not keep all of our
13 U.S. employees, and those we did keep did not get
14 raises.

15 Commissioner, I understand that the anti-
16 dumping law is in the best interest of the United
17 States when it is applied in a fair and objective
18 manner, and that the goal of the law is to prevent
19 unfair pricing competition. And when I began this
20 process, I had to learn to understand that.

21 But the Petitioners, a minority of the U.S.
22 industry, have twisted that law to their own personal
23 agenda, and to benefit their own Chinese suppliers,
24 contrary to the intent of the law. The Petitioners
25 and their legal counsel have made their own law,

1 stepping beyond those administering the law: this
2 body and the Department of Commerce.

3 I believe it's in the purview of the U.S.
4 Government to right this wrong. And I respectfully
5 request that the duty order be revoked.

6 I appreciate the opportunity to speak today.

7 MR. SILVERMAN: John?

8 MR. GREENWALD: That concludes our --

9 MR. SILVERMAN: Well, I have one comment,
10 John. Sorry. This is Belushi and Aykroyd here.

11 I just want to add, in summary, we've heard
12 a very stirring example of what I called at the
13 beginning a racket. And that's what people call it.
14 She called it extortion.

15 We've heard testimony from George Tsai about
16 the fact that some people get a better deal if you're
17 doing business with some of this subset of the
18 domestic industry. What is that? How does that fit
19 into the statute?

20 But even if you didn't consider these two
21 things, this is such a big issue, I hope the
22 Commission looks into it deeply. Certainly the
23 domestic producers here today didn't want you to look
24 into it. They didn't answer the questionnaire, and
25 you had to pry it out of them. But they can't hide

1 any longer.

2 This is an important issue because it
3 affects the statutory criteria. It affects the volume
4 that comes into the United States. The way this
5 racket works is the more the Chinese company exports
6 to the United States, the more revenue that goes into
7 their pocket. These are the same people who are
8 telling you they're trying to protect jobs in the
9 United States. If they really wanted to protect jobs
10 in the United States, they wouldn't have this scheme.

11 I've been here many times with the steel
12 industry in trade cases. They take no prisoners.
13 They take no settlements.

14 This is very different from your typical
15 case. They're making lots of money by incentivizing,
16 authorizing, inviting continued imports at the seven-
17 percent rate.

18 You know, 104 companies, for example, in the
19 second review had their requests withdrawn by these
20 guys. Why? Cash. They don't have to do any work,
21 they don't have to hire any employees. They gave 104
22 companies a nice kiss based on the racket.

23 John says I'm talking too long. And I think
24 that it's important that you consider it, because it
25 does affect the statutory criteria and the

1 administration of the statute. Thank you.

2 MR. GREENWALD: That definitely concludes
3 our direct presentation.

4 CHAIRMAN OKUN: They can use their rebuttal
5 time however they would like.

6 Thank you very much. I do want to take this
7 opportunity before we begin our questions to thank
8 this panel for being here. For those of you who have
9 traveled to provide your testimony, your industry
10 witnesses, we very much appreciate the opportunity to
11 question you directly, and for the information you
12 have provided.

13 By luck of rotation, I get to start the
14 questioning this afternoon. So I will start with one
15 of those statutory factors and ask about volume. And
16 I think, I don't know, Mr. Tsai, if you're the best
17 person to take this, or Mr. Koenig. But just to give
18 me a better sense of your view of the, the Chinese
19 capacity and Chinese home market demand.

20 Because one of the arguments that has been
21 made in the briefs about why, what the likely volume
22 would not be significant relates to what has been
23 described as a growing home market.

24 I'm trying to understand from the evidence
25 that we have on this record if that's supported; that

1 there has been a switch to, to fill a home market
2 demand. So give me the best evidence we have on the
3 record or any other information I should be looking at
4 to determine how much the Chinese are going to focus
5 their capacity inward, as opposed to continuing to be
6 a major global exporter. Who wants to start?

7 MR. KOENIG: I could start a little bit, and
8 then others.

9 CHAIRMAN OKUN: Okay.

10 MR. KOENIG: But in our, in our prehearing
11 brief, we did discuss increasing demand in China. And
12 roughly the figures showed a doubling of demand from
13 the figures we had over the 2004 to 2009 period for
14 wooden bedroom furniture within China.

15 And we also provided further information on
16 capacity, which showed roughly a, just giving a rough
17 version, a one-quarter reduction in capacity.

18 CHAIRMAN OKUN: Okay. And then obviously
19 one of the constraints I find in looking at this
20 record is we do not have as much questionnaire
21 information as we had even in the original
22 investigation. And I don't want to go into,
23 obviously, the confidential data.

24 But for purposes of post-hearing, if you can
25 reconcile for me that argument with what data we do

1 have on the record with respect to home market versus
2 exports to the United States.

3 MR. KOENIG: Sure. If I could say a little
4 bit about the questionnaires now.

5 CHAIRMAN OKUN: Sure.

6 MR. KOENIG: Since this sunset review began,
7 it became clear that because of the settlements, that
8 the Chinese Respondents would be quite unwilling to
9 participate in the process in answering the
10 questionnaires. They are strong statements, to me,
11 and I've been working at trying to get working on this
12 for months and months.

13 They would always say look, if we answer the
14 questionnaires, they will go to, under the
15 Administrative Protective Order, they will go to Joe
16 Dorn. And he will see who's answering, and he will
17 get information about them. And it will be
18 information that he does not otherwise know, including
19 quality and value information that often is not
20 available from Commerce.

21 And their strong concern was that, how can
22 he, in his mind, or the attorneys for the committee
23 who get access, how in their mind can they separate
24 what they've learned from the APO process and the
25 impressions that they got from that, versus what

1 they're otherwise, when they're engaged in
2 settlements, when they cannot use that information.

3 CHAIRMAN OKUN: Mr. Koenig, I don't want to
4 go into what is already a paper argument, and you
5 submitted your arguments on that. I guess I would
6 just say, for myself, I would say a more complete
7 record makes it easier to weigh some of the arguments
8 you've made.

9 MR. KOENIG: We're still trying.

10 CHAIRMAN OKUN: Okay, thank you. And then,
11 I don't know if I -- I guess, Mr. Silverman, I will
12 ask you to respond, but briefly, because I've heard a
13 lot of the argument with respect to the settlements.
14 But just with respect to the likely volume.

15 I do have, tried to understand that argument
16 in terms of if the settlement agreements end if the
17 order is lifted, Petitioners are asking for the order
18 to be lifted, and the settlement agreements end at
19 that point. How does that relate to the likely volume
20 upon revocation? Whether or not there have been
21 settlement agreements negotiated during this period.

22 MR. SILVERMAN: I think if you want to
23 understand the economic health of the domestic
24 industry, you have to understand their arguments about
25 jobs and what's happened. Why we have the volume we

1 have today is partly a function of how much volume
2 they invite, and make money off it.

3 CHAIRMAN OKUN: Okay, but let me just stop
4 you there. Okay, so under our statute we look to the
5 original investigation, the volume increases during
6 the original investigation, and we're looking post-
7 order. Now again, not that the period of review is
8 not a relevant factor that I look at, but I am, I
9 don't, I guess I still don't understand, just relating
10 to the settlement agreement, the argument that they
11 impact the likely volume upon revocation.

12 MR. SILVERMAN: They're saying the --

13 CHAIRMAN OKUN: Because they're -- let me
14 just tie it to the other part, which -- and I know
15 again, it's not a universal domestic industry. With
16 respect to how much those Petitioners, the Petitioners
17 who support the order, how much they are, how much of
18 the subject imports they are responsible for
19 importing. Whether that gibes with the idea that they
20 like these settlement agreements, because they
21 otherwise, because they want the subject imports in a
22 blended strategy.

23 MR. SILVERMAN: My point is, the testimony
24 you've heard, if you're worried that you're going to
25 get increasing imports from China when they no longer

1 have to pay these racket payments, whatever we're
2 going to call them, is that the key economic variable
3 is going to be watch Vietnam. Watch Vietnam. You're
4 not going to see the snap-back, you're not going to
5 see turning the clock back to 2002/2004. It's not
6 going to happen.

7 You saw Mr. Tsai's data. The staff report
8 shows what's happened for imports from Vietnam; they
9 are now 25 percent of apparent domestic construction.
10 It's apparently greater than the market share to the
11 domestic producers.

12 So when the order is ended, they won't get
13 the cash payments, but it's not going to affect the
14 volume from China.

15 CHAIRMAN OKUN: And on that point of whether
16 the presence of the non-subject imports would prevent
17 Chinese imports from moving back into the U.S. market,
18 if the order was revoked, help me understand.

19 One of the arguments that I heard from the
20 domestic industry this morning is that if you look at
21 who the importers are of non-subject and Chinese
22 product, that that's not a very good indication that
23 Chinese product wouldn't move back in because of
24 established relationships, where the product was
25 moving before. You saw their, the slides on the major

1 Chinese manufacturers who are subject to large dumping
2 margins at this point, after the administrative
3 review.

4 How do I take that into account in
5 evaluating how much the presence of non-subject
6 imports would prevent Chinese product from moving back
7 into the market? Others can take it, as well.

8 MR. SILVERMAN: I was going to say, I think
9 instead of getting those projections from the domestic
10 industry because they probably don't have first-hand
11 knowledge of the facts that they testified to, I'd
12 like Mr. Tsai to answer that. He's been to these
13 places, or he can testify to it.

14 CHAIRMAN OKUN: I'd be happy to hear from
15 both of them. Mr. Tsai? And Mr. --

16 MR. TSAI: Would you repeat your question?

17 CHAIRMAN OKUN: Just asking, you had talked
18 about the presence, a lot of your presentation, your
19 testimony was about the rising, the change to imports
20 from Vietnam.

21 And what I heard from the domestic industry
22 this morning in a number of their charts were a lot of
23 the large manufacturers were exporting from China, who
24 were sending product here before, are subject to large
25 orders. Therefore, once the order is lifted, they

1 still have distribution channels and an incentive to
2 come back into the United States when the order is
3 lifted.

4 Help me understand, from your argument you
5 were making, why the product from Vietnam would
6 prevent that Chinese product from coming back in.

7 MR. TSAI: Well, the Vietnamese product,
8 you've got to understand, Vietnam first got into the
9 bedroom prior to the anti-dumping order. And it's
10 been five, six years.

11 Their capacity, the training of the workers
12 have improved over the years. They certainly have
13 cost advantages, as I have shown on the slides. And
14 again, in addition to that, I think the recession has
15 also changed the consumer habits.

16 I read some market research. Eighty-five
17 percent of American consumers are not going to return
18 to the way they used to spend. They traded down. And
19 they traded down in wooden bedroom furniture.

20 So Vietnamese-made furniture is lower price
21 than China, in general, and is a better value to the
22 consumers. And I think, I think that's a support to
23 Mr. Koenig's statements, that over the years, in the
24 last five years he has increased, and so did many
25 other retailers, of imports from Vietnam. It's a

1 better value to the consumers.

2 CHAIRMAN OKUN: Mr. Koenig, I have a little
3 time left. Maybe you can comment. And specifically,
4 if you could talk about where there's competition
5 directly between Chinese and Vietnamese imports.

6 Because again, a number of the producers
7 this morning identified either the hospitality, youth
8 bedroom, a number of specific types of bedroom
9 furniture, where they testified that they had not
10 encountered product from Vietnam. Is that your
11 experience?

12 MR. KOENIG: No. We can pretty much buy any
13 category. I'm not in hospitality, but in everything
14 for residential bedroom furniture. I think
15 hospitality is a relatively small segment of the whole
16 subset of the whole category. But in all categories
17 of bedroom furniture, in Vietnam we can buy whatever
18 we want. We buy youth, we buy master bedroom, we buy
19 second bedroom.

20 And many of the Chinese factories that have
21 moved to Vietnam now say well, the anti-dumping order,
22 some of the biggest now say the anti-dumping order
23 almost doesn't matter, because I'm already set up over
24 here.

25 And truthfully, it's just a bigger term of

1 globalization. So there are subsets.

2 Now, if the order is lifted, might we see
3 some migration from Vietnam back? Yeah, I think
4 that's realistic, and I believe that that would
5 happen. Would it hurt any domestic production? No.
6 It's like my domestic upholstery factory in
7 Mississippi and my imports of upholstery from China:
8 They are two different categories, they're too
9 different. Is there a little bit of overlap? Yeah.
10 But not enough so this should continue. And certainly
11 Vietnam and China are equals.

12 CHAIRMAN OKUN: Okay. My red light's come
13 on, so I'll have some additional questions.

14 Commissioner Lane.

15 COMMISSIONER LANE: Good afternoon, and
16 thank you for being here this afternoon.

17 Let's start with Mr. Greenwald. Would you -
18 - it's the same question I asked the Petitioners this
19 morning, which is, how should the Commission look at
20 the effect of the recession in a review case, as
21 opposed to the effect of the recession that we would
22 do in an original investigation?

23 MR. GREENWALD: It was an interesting
24 question. I don't know that I have the answer that
25 you're looking for, because I'm not sure.

1 COMMISSIONER LANE: Do you understand what,
2 the distinction I'm making?

3 MR. GREENWALD: Sure, in the sense that in
4 an investigation you're looking past, looking
5 retroactively, retrospectively.

6 COMMISSIONER LANE: And we're looking very
7 closely at causation.

8 MR. GREENWALD: Right. In the review you're
9 also looking prospectively, and at causation.

10 The biggest problem, it seems to me, is
11 whether or not in a review, when you're asking
12 yourself the question what will happen in the
13 foreseeable future, can you say well, there will be a
14 recession in the foreseeable future.

15 If the answer to that is yes, if that's what
16 you conclude, then you cannot attribute any of the
17 effects of the recession to the subject imports. You
18 have to divorce the two.

19 COMMISSIONER LANE: Okay. And so are you
20 making the argument that, in a review case, when
21 there's a recession, the recession itself will keep
22 imports from coming in if the order is revoked?

23 MR. GREENWALD: Oh, in terms of, in terms of
24 volume, I don't think there's any question. If the
25 question you're asking is what's going to happen to

1 the volumes of imports, and you project a recession
2 going forward; I can see, I think you can almost
3 certainly conclude that there is not likely to be a
4 rise in imports, in subject imports.

5 COMMISSIONER LANE: And so you would say
6 that the recession, then, would cause us to say that
7 there will be no discernable adverse impact if the
8 order were revoked.

9 MR. GREENWALD: No. No, no, no. I mean, I
10 don't think -- I think that the task you face is to
11 segregate the effects of the recession from the
12 effects of subject imports.

13 One of the statutory criteria you look at is
14 whether or not there is likely to be an increase in
15 subject imports, either absolutely or relatively.

16 In a recession, it is highly improbable that
17 there will be an absolute increase in subject imports.
18 There is a question of whether there will be a
19 relative increase in subject imports, which you would
20 have to weigh.

21 And then there's a question that if there is
22 a relative increase, is it at the expense of domestic
23 production, or is it at the expense of third-country
24 production.

25 So let's assume, as some of the back-and-

1 forth has suggested, that there might be a switch at
2 the margins from Vietnamese to Chinese supply. In a
3 period of low demand, you will see a relative increase
4 in imports from China. But it will not be sufficient
5 to establish a causal link to any projected harm to
6 the domestic industry, because it will not be at the
7 expense of domestic production.

8 And the point I think I'm trying to make,
9 and I'm sure I didn't make nearly as clearly as I
10 wanted to, is on this record, there is no evidence at
11 all, zero evidence, that anything that is likely to
12 happen with imports from China, either in volume or in
13 price, A, is likely to be significant in an absolute
14 sense; or B, is likely to be, in any meaningful sense,
15 at the expense of the U.S. industry.

16 COMMISSIONER LANE: Mr. Greenwald, let's
17 assume that I look at this very, very simplistic. And
18 if I look at the data that we have, and Chinese
19 imports continued to come in, even in the face of an
20 order, why would I not assume that more would come in
21 without the order?

22 MR. GREENWALD: Because they are coming in
23 in the face of an order by design. And it goes back
24 to I think, Commissioner Okun's question about how do
25 you weigh a settlement agreement payments, which

1 frankly are designed to keep flow of imports, in terms
2 of projecting what's going to go on if the order were
3 to be revoked.

4 And the right answer, I think, is that if
5 the order were to be revoked, you are going to see a
6 minimal impact on the volume of imports. Because
7 after all, the order has been managed by Petitioners
8 in a way to keep a level of imports at what is, I
9 forget what percent of market, it's probably
10 confidential. But it's non-trivial.

11 COMMISSIONER LANE: Okay. Mr. Greenwald,
12 maybe -- and this may be in the record, and maybe
13 someone else can answer -- can you tell us, or provide
14 post-hearing, the percentage of imports that are
15 coming in now, that are coming in from companies that
16 have entered into a settlement agreement with the
17 Petitioners?

18 MR. GREENWALD: We can get you a very, very
19 good estimate. It's not going to be correct to
20 whatever decimal point. But the answer is yes. And
21 the question is very much welcome.

22 Because the impression that the Petitioners
23 tried to leave you with this morning was that most of
24 the foreign producers that account for a significant
25 part of supply are subject to much higher rates.

1 COMMISSIONER LANE: Well, and that's what I
2 was going to. The second part of my question is, when
3 we figure out the percentage that are coming in
4 subject to, or that are with the settlement
5 agreements, at what percentage the rate is.

6 MR. GREENWALD: We will provide that
7 information in post-conference briefs.

8 COMMISSIONER LANE: Okay, thank you. Do we
9 know how many factories there are in China making
10 wooden bedroom furniture? I think I heard this
11 morning maybe 30,000 factories, of which half were
12 making wooden bedroom furniture?

13 MR. TSAI: China is a big country. Names of
14 company changes maybe every two or three years. But I
15 would say the majority of those 30,000, I even heard
16 figures like 50,000, are, if you count, if you count a
17 small carpenter, you know, cottage industry type of
18 operation as one wooden bedroom furniture factory, I
19 think that's an overstatement.

20 I don't think any U.S. importer or retailer
21 is willing to risk buying from those small facilities,
22 small factories.

23 MR. KOENIG: Commissioner, as a retailer I
24 could tell you, we would only want to buy from
25 somebody who was of substance. So if you look at how

1 many there are in total, whatever that large number
2 is, I think really the number to focus on is how many
3 ship into the United States, or historically. And I
4 believe that's in the couple-hundred range. It's not
5 a huge number. And I believe that's probably right in
6 our customs data.

7 COMMISSIONER LANE: Okay, thank you. Could
8 someone tell me -- you're making the argument that the
9 Chinese home market is growing. So could you provide
10 for me or tell me what the typical Chinese family is
11 likely to be buying for their home? And how much
12 they're paying for it. I'm talking about what wooden
13 bedroom furniture.

14 MR. TSAI: Okay. China is undergoing rapid
15 urbanization. The research data that I read recently,
16 47 percent of Chinese population are urbanized. And
17 every year, one percent of the population -- roughly,
18 about 25 to 30 million -- will move into cities.

19 So the rapid urbanization will continue on
20 for the next 20 years, at one percent a year. So
21 eventually China will have 200 cities with over a
22 million people, and many, many satellite cities.

23 Now, with urbanization and with service
24 industry, and with industry's infrastructure built,
25 you're going to, you need housing. And housing leads

1 to furniture purchase. And that's why we started to
2 pursue the domestic market as early as 1998, Fairmont
3 Designs. And today we have 110 franchised stores.
4 And it's a growing business.

5 A typical Chinese family probably does not
6 have a big house, because you're talking about
7 highrises. And they're somewhere between I would say
8 1200 square feet to 1400 square feet.

9 And you do have to make adjustments in your
10 sizes of your wooden bedroom, but bedroom is one of
11 the major purchases in China.

12 COMMISSIONER LANE: Okay. And how much do
13 they pay for that?

14 MR. TSAI: They could pay, they pay much
15 higher than in the U.S. for a bed. For example, our
16 company, our company -- and we're not, we're certainly
17 not a promotional house. I think with a medium, upper
18 medium, they would pay, you know, close to \$3,000,
19 \$4,000 for a bed. U.S. dollars, for a bed.

20 MR. KOENIG: Could I chime in, too, George,
21 please? I spent a lot of time, because some of my
22 Chinese suppliers have suggested that we should be
23 doing business in China on a retail basis. So I've
24 done a fair amount of homework on it. In fact, one of
25 the people that are represented by the FRA is going to

1 be, is going to be doing just that.

2 So there's a stratification, just like the
3 United States. The largest number of people are
4 buying what is called RTA, read-to-assemble, or KD,
5 knock-down, flat-pack furniture. If I said Ikea, you
6 might know what Ikea is. The Ikea stores in China are
7 remarkably successful, because they're very
8 inexpensive.

9 Then you have the upper-middle and upper
10 class, which will buy more American-size and American-
11 style furniture, just like George is saying. And that
12 product category, actually the retailers charge much
13 more. And it's not because their costs are higher;
14 it's because their retail markups are enormous. Why
15 that is, I don't know, but it's interesting.

16 COMMISSIONER LANE: Okay. I have some more
17 questions along that line, but I'll come back.

18 CHAIRMAN OKUN: Commissioner Pearson.

19 COMMISSIONER PEARSON: Thank you, Madame
20 Chairman. Permit me to extend my welcome to all of
21 you here for the afternoon panel. I very much
22 appreciate your testimony.

23 Mr. Koenig, how many of your suppliers have
24 the ability to ship product either from Vietnam or
25 from China?

1 MR. KOENIG: How many suppliers can ship
2 either from Vietnam or from China.

3 COMMISSIONER PEARSON: Right. I mean, if
4 you have a large supplier that comes to you and says
5 look, I've got this, these offerings, and I can source
6 either comfortably from China, particularly those
7 things that might not be subject imports, like dining
8 room tables or something. But if you want the bedroom
9 stuff, I've got to bring it from Vietnam.

10 Do you have those sorts of discussions with
11 suppliers?

12 MR. KOENIG: Yes. Frequently there is
13 multiple points for factories to ship from. And so
14 there are some.

15 But there are, generally speaking because of
16 management concentration, the factories typically tend
17 to either focus on China, or they focus on Vietnam.
18 There's a few that might have multiple facilities.

19 But by the way, if you're getting to the
20 trans-shipping, I have never incurred that. I have
21 never seen that, I've never heard of it. Any of the
22 alleged movement of goods. Might be happening. I
23 can't speak to it. I'm certainly testifying, but I've
24 never heard of it.

25 COMMISSIONER PEARSON: Yes, and I'm not so

1 terribly concerned about that, because I'm not sure
2 there is much we could do with that in this
3 proceeding. Even if we, well, you know.

4 MR. KOENIG: Yes.

5 COMMISSIONER PEARSON: But my real question
6 was just trying to understand whether some suppliers,
7 because they, you know, they may have been producing
8 or moving product out of China, then the anti-dumping
9 duties became problematic, they opened production in
10 Vietnam. Now they'll serve you from either place.

11 I mean, I'm just trying to understand
12 whether the market prices evolved in such a way that
13 you're getting more of that full-service approach.

14 MR. KOENIG: We are a little bit, but I
15 think what's driving Vietnam is the lower cost of
16 wage. And they're getting lower production costs out
17 of Vietnam.

18 Vietnam is taking business away from China.
19 It's just that simple.

20 COMMISSIONER PEARSON: Okay. So do you
21 think that --

22 MR. KOENIG: And Indonesia is going to take
23 business away from Vietnam.

24 COMMISSIONER PEARSON: Do you think that
25 Vietnam would have increased its exports of wooden

1 bedroom furniture to the United States even in the
2 absence of the orders on Chinese product?

3 MR. KOENIG: Oh, absolutely. I don't know,
4 it wouldn't be at the same level, but absolutely.

5 COMMISSIONER PEARSON: Mr. Tsai, did you
6 have a comment?

7 MR. TSAI: Regardless of anti-dumping order,
8 if you remove dumping order, there is no dumping order
9 in 2004 July. I think the Chinese labor rates have to
10 go up, regardless. And that puts it at a
11 disadvantage.

12 And the yen appreciation, regardless of
13 anti-dumping order or not. So those are the two big
14 factors that put China back.

15 You know, I have a wooden bed factory in
16 Dong Guan that produces medium, medium-high type of
17 goods. And if anti-dumping order is revoked, I don't
18 see an increase in business out of my factory.

19 I, myself, Fairmont Design, we have two
20 warehouses in United States. I am already importing
21 from Vietnam. I get better value. Just like Keith.

22 COMMISSIONER PEARSON: Well, perhaps for
23 both of you, then, how intense is the competition in
24 the U.S. market between bedroom furniture from China
25 and from Vietnam? I mean, is it a knock-down, drag-

1 out fight every day? Or is the competition somewhat
2 attenuated, occurring only in certain regions or
3 certain product? I mean, describe for me, if you
4 could, what's going on in the marketplace between
5 those two sources.

6 MR. KOENIG: Well, you saw that, you saw the
7 trends in the trend chart, with China going this way
8 and Vietnam going that way. That's what we're seeing.
9 But it's very aggressive, I mean, on both sides.
10 Everybody in business, at retail or at manufacture, is
11 trying to do all the business they can. Especially
12 right now. So competition is very fierce.

13 COMMISSIONER PEARSON: And Mr. Tsai, did I
14 understand you to say that, in essence, you are having
15 a challenging time competing in the U.S. market with
16 your Chinese furniture, against the Vietnamese
17 furniture?

18 MR. TSAI: Exactly. Yes. This morning I
19 heard comments such as Chinese factory is more market-
20 savvy; they know how to do business in the United
21 States, to set up their own distribution centers.

22 Well, that's under the assumption that the
23 Vietnamese will stay low-key forever. And they're not
24 going to stay low-key. Sooner or later they are going
25 to also upgrade themselves. They will move, you know,

1 I expect that to be happening right now. Ashley is
2 bringing out some, bringing from Vietnam some very
3 intricately carved, very labor-intensive, high-quality
4 furniture.

5 And the Vietnamese are smart people, just
6 like Chinese workers. They're going to learn. So
7 they will eventually put, put a lot of Chinese
8 factories out of business.

9 COMMISSIONER PEARSON: So how would you
10 describe, then, the competition between imports from
11 Vietnam and imports from China, with U.S. production?
12 Is the competition more intense between those two
13 countries than between product from those countries
14 with product from the United States?

15 MR. TSAI: What we buy from the United
16 States is what should be made here in the United
17 States, generally speaking. And I believe that's
18 across the board.

19 For instance, John Bassett's factory is
20 fabulous; it's a fabulous factory, and he offers great
21 product and real quick delivery. And for the subset
22 of the furniture retail business that needs that quick
23 delivery and that product, he's the best choice in the
24 market, by far.

25 Stanley has done a lot of the same things.

1 And so many of those producers have done a lot of the
2 same things. They fit into particular parts of the
3 marketplace where they've found how to compete.

4 The ones that didn't find out how to compete
5 went away. Companies like Ashley, who we buy a lot of
6 domestic furniture from, we buy it because the
7 customer likes the look of it, and they like the
8 value. And it's made, if it was made in Timbuktu, it
9 wouldn't really matter, because the customer is buying
10 what they like at a value that they find appealing.

11 Now, the domestic producers are finding that
12 their innovation and their ability to create and their
13 ability to add value are the real keys to
14 differentiating in the global market. Not
15 protectionism, not seven percent or 177 percent.

16 COMMISSIONER PEARSON: So when you are
17 looking for product in a certain range, if it's a
18 range where you know that John Bassett or other
19 domestic producers are really competitive, do you just
20 kind of go look at them, and not even look much at
21 imports that might potentially compete?

22 MR. KOENIG: No, we have to shop everybody.
23 We're agents for the customer. We're agents for our
24 customers who want to buy furniture, and we want to
25 make sure that they get a chance to get what they most

1 like.

2 And so whether it's domestic or whether it's
3 internationally produced -- Italy. I mean, we buy
4 furniture made in Italy. It's what the customer wants
5 is what's important to us.

6 COMMISSIONER PEARSON: Okay. And the
7 reasons that the imported product don't, that it
8 doesn't compete effectively against John Bassett or
9 other domestic producers in certain categories,
10 certain ranges?

11 MR. KOENIG: Or Ashley is domestically
12 produced. Why doesn't it not compete with Ashley?
13 Why do I buy Ashley domestically produced product?
14 It's, again, it's because they've developed a product
15 that our customer wants, at a style and a value that
16 they like.

17 So I believe there is room for everybody.
18 But you've got to be good. You've got to be able to
19 compete.

20 COMMISSIONER PEARSON: How would your
21 business change if there was no domestic production
22 any more? I mean, is that a concern that you have
23 that, based on what the domestic industry panel was
24 telling us, they can envision circumstances under
25 which domestic production basically goes away, or is

1 greatly diminished. Would that be a concern for you?

2 MR. KOENIG: Well, that's not going to
3 happen, because there's an opportunity to make money
4 making domestically produced furniture. It's not
5 going to happen. Ashley is proving that every day.
6 Stanley Furniture is proving that every day. They're
7 successful. They're growing their production, they're
8 not reducing their production.

9 So it's a matter of -- that's almost a moot
10 point. But the reality is just what Mr. Greenwald
11 said earlier that we felt six years ago: The right
12 strategy is a blended strategy.

13 COMMISSIONER PEARSON: Okay. And you're
14 saying produce those things in the United States that
15 can be done here efficiently, and import to round out
16 the product.

17 MR. KOENIG: Same example as I gave in our
18 domestic upholstery factory in Mississippi. We
19 produce there what should be produced there. And we
20 turn the inventory like it's pancakes.

21 COMMISSIONER PEARSON: Okay.

22 MR. KOENIG: As opposed to shipping from
23 halfway around the world and having to have a longer
24 lead time.

25 COMMISSIONER PEARSON: So you're buying from

1 lots of different companies.

2 MR. KOENIG: Absolutely.

3 COMMISSIONER PEARSON: What differentiates
4 those U.S. firms that are growing and doing reasonably
5 well, and those firms that are shrinking or maybe
6 going out of business even? From your perspective.

7 MR. KOENIG: It's your ability to add value
8 in the marketplace. First of all, please understand,
9 the market right now is exceedingly challenging. But
10 those who bring value to the marketplace and have got
11 a good business model are succeeding, are being able
12 to succeed or survive in this market.

13 COMMISSIONER PEARSON: And Mr. Tsai, I
14 hadn't intended to cut you out of this. Do you have -
15 -

16 MR. TSAI: Sure. I'd like to cite another
17 example. I looked at Mr. Prillaman's Young America
18 program, his youth furniture program, and it's
19 awesome. Because every collection, from a crib to a
20 study desk, you're talking about 25 to 45 pieces per
21 group. And that's a lot of inventory capital
22 investments.

23 Very difficult. Very difficult for any
24 overseas Chinese factory. A typical Chinese factory
25 plus a U.S. importer to get into.

1 And besides, you know, I tip my hat to Young
2 America. It offers a variety of finishes, custom
3 finishes, quick delivery in two weeks. There is no
4 way, I don't care if it's Vietnam or China, they're
5 not going to, they're not going to -- yes, they may
6 produce one bedroom, but that's one bedroom, one youth
7 bedroom.

8 But they've got a whole program. And I
9 think, in this globalized economy, world economy,
10 everybody, there's business for everybody. And you
11 have to find your place.

12 MR. KOENIG: I like that. Could I echo
13 that? And just say my two grandsons are both sleeping
14 on Glenn's cribs. They're beautiful.

15 COMMISSIONER PEARSON: Thank you.

16 CHAIRMAN OKUN: Commissioner Aranoff.

17 COMMISSIONER ARANOFF: Thank you, Madame
18 Chairman. And I joint my colleagues in welcoming the
19 afternoon panel.

20 One of the arguments that I think came
21 through most clearly from this panel and from your
22 briefs was the argument that the order hadn't really
23 affected the volume of Chinese imports, and so its
24 revocation, similarly, wouldn't.

25 Now, a number of importers who responded to

1 the Commission's questionnaire stated quite clearly
2 that they intended to increase their imports from
3 China in the event of revocation. And others
4 complained quite bitterly that the orders had
5 constrained their exports to the United States.

6 Can anyone reconcile for me these responses,
7 with the general claim of this panel that virtually
8 all Chinese producers who really want access to the
9 U.S. market have been able to gain it, through private
10 settlements, through being excluded from the order, or
11 through other means?

12 MR. GREENWALD: Sure. I don't think any of
13 us has stated that there was, or at least I hope we
14 didn't state, that the order had no impact on sourcing
15 of imports. I think we said, I hope we said, that it
16 accelerated a shift, which you see in the numbers very
17 clearly, from China to not only Vietnam, but also
18 Indonesia and also Malaysia.

19 It is equally true that the settlement
20 process and the way the order has been, if I can use
21 the term, managed, is to keep the anti-dumping duty
22 penalty for the bulk of major Chinese suppliers at a
23 level that allows them to continue importing. So what
24 you find is, while there has been a very, very clear
25 shift in the data, in terms of the preponderant source

1 of imported furniture, you still see throughout the
2 period, and in the event of revocation, would continue
3 to see Chinese supply coming into the country.

4 COMMISSIONER ARANOFF: Okay. Well, I'm not
5 sure that's a complete answer to the question. I
6 mean, I view all those questionnaire responses as, you
7 know, effectively, admissions against interest by a
8 number of importers that, you know, they're interested
9 in coming back into the U.S. market in larger volumes
10 than they may be here now.

11 And I mean, I guess the way to refute that
12 might be to take a look at those questionnaires, and
13 tell me that those are fringe players, they were never
14 very big.

15 MR. GREENWALD: No, but I have looked at the
16 questionnaires. And I think the, when you talk about
17 importers, one of the questions that is not asked or
18 not addressed is, have you switched from China to
19 Vietnam. And a lot of them say they have, but there's
20 some that had an exclusive Chinese supplier that may
21 have been one of the, as you say, fringe players, with
22 a 200-and-some-odd-percent rate.

23 And it's true, those -- but it's a small
24 minority of Chinese suppliers. Those suppliers are
25 out of the market. You cannot participate in this

1 market with a 200-and-some-odd-percent anti-dumping
2 duty rate.

3 But again, that is a very, very, very minor
4 part of Chinese supply.

5 COMMISSIONER ARANOFF: Okay. Let's see. In
6 the testimony this morning and at other points, some
7 of the domestic producers have pointed out that, made
8 the argument that Vietnam is never, never going to be
9 another China; can never rival the size of the Chinese
10 industry, or the variety of products that are produced
11 by the Chinese industry, and be competitive in the
12 U.S. market.

13 And they mention a number of factors that I
14 wanted to ask all of you to respond to. For example,
15 lack of supply chains and infrastructure in Vietnam to
16 support production on the scale that goes on in China.
17 Lack of deep-water ports, which requires more
18 expensive shipping arrangements. Any comments on any
19 of those? Mr. McLain?

20 MR. McLAIN: Commissioner, those factors
21 haven't seemed to have prevented Vietnam from becoming
22 the number-one single source of market share for
23 apparent U.S. domestic consumption. Greater than the
24 domestic industry.

25 So those apparent factors aren't having much

1 of an effect from preventing them from rising to
2 number one.

3 MR. GREENWALD: Let me just add that I
4 listened to that testimony. And of all the testimony,
5 much of which I found difficult to accept, that was
6 probably the least credible.

7 How it is that serious participants in a
8 market can come before you and say that a country that
9 has gone, over a four- or five-year period, from
10 relatively minor supply status to the predominant
11 supplier of this market, with close to, if not over, a
12 billion dollars worth of imports, somehow suffers from
13 infrastructure deprivation, strikes me as an
14 impossible argument to sustain.

15 MR. K. KOENIG: Commissioner, if I could
16 amplify that. I was in our factories over in Vietnam
17 this year, and do regular trips over to Asia to work
18 with our suppliers to make sure that we're looking at
19 what's going on.

20 There is no lack of infrastructure, as far
21 as I'm concerned. There is no lack of logistics. And
22 our container prices, what we are paying for a
23 container from Ho Chi Minh versus Yangjin or Tianjin
24 or any place in China, the difference is generally a
25 couple hundred dollars.

1 Now, it's surprisingly similar. But
2 capacity in shipping goes to where there is demand.
3 And there is no, there is no shortcoming. I am happy
4 to tell you that from the standpoint of personal
5 experience.

6 COMMISSIONER ARANOFF: Okay. Well, let's
7 say that I, that I credit that, and I say okay. Well,
8 there's been this meteoric rise in Vietnam, and
9 everything is, you know, the stars are aligned there,
10 and they have become the largest import supplier to
11 the U.S. market. There is a lot of the U.S. market
12 left that is not being supplied by Vietnam.

13 And if I were to accept the argument that
14 none of what's supplied by Vietnam is going to go back
15 to China, in the event of revocation, that still
16 leaves a lot of the U.S. market to sort of be battled
17 over.

18 How do I know, I mean, I think your argument
19 depends on my believing that in the event of
20 revocation, you know, Vietnam is going to grow its
21 share, and China is not.

22 MR. GREENWALD: Well, no. I hope that the
23 argument, that our ability to persuade you depends on
24 a very hard record that is informed by six years of
25 experience, under an order which shows essentially no

1 impact of the order on U.S. production, U.S. pricing.

2 It is true, and I think I said this before,
3 and I'll say it again, I believe that it would be true
4 that if the order were revoked, you would see a
5 relative realignment in terms of off-shore supply. I
6 think you might see some Vietnamese supply revert to
7 China, you might see some Indonesian supply revert to
8 China. I think all of that is plausible.

9 I do not think, based on this record, there
10 is an iota of evidence to suggest that if the order is
11 revoked, it's going to have an impact of material
12 proportions on the domestic production, domestic
13 sales, et cetera.

14 COMMISSIONER ARANOFF: Okay. Let me change
15 the subject slightly and ask, we have information in
16 the record that wooden bedroom furniture exports from
17 China have received VAT tax rebates since at least
18 2007; and that the rebate had risen to 15 percent
19 effective
20 June 2009.

21 Is anyone able to provide more updated
22 information on the status of the VAT rebate?

23 MR. TSAI: That is correct.

24 COMMISSIONER ARANOFF: It's still 15
25 percent?

1 MR. TSAI: It's 15 percent, yes.

2 COMMISSIONER ARANOFF: Okay, thank you very
3 much. Just to clarify this. The large producers of
4 wooden bedroom furniture in Vietnam, do they tend to
5 be companies that are transplants from China or have
6 Chinese ownership? Or are they indigenous producers.

7 MR. TSAI: To answer that, I did a very
8 quick research two weeks ago. And we looked at the
9 first administrative review's list of Chinese
10 factories, and we identified 10 factories that was
11 producing bedroom in China in 2004, and then have
12 since then moved to Vietnam, setting up factories.

13 And even though the number is 10, which is
14 roughly maybe one-tenth out of 180 factories, but
15 these 10 factories are huge, big factories. So they
16 have big capacities in Vietnam.

17 COMMISSIONER ARANOFF: And when you say
18 they've moved, did they literally pick up their
19 production equipment from China and move it to
20 Vietnam? Or did they just do something else with
21 their equipment in China, and open a new factory?

22 MR. TSAI: They do something in China. You
23 know, the Vietnamese Government is pretty tough; you
24 cannot ship old equipment from China to Vietnam. So
25 they have to build new facilities.

1 So what they did in China is that they could
2 probably end up producing more dining room, or more
3 tables, or go to domestic market, or something else.
4 It's brand-new factories.

5 MR. KOENIG: And Commissioner, could I
6 amplify that?

7 COMMISSIONER ARANOFF: Sure.

8 MR. KOENIG: Seriously, underlying the anti-
9 dumping order that I think was put in place five years
10 ago, I believe, in fact, the reverse has happened from
11 what was intended.

12 I believe the anti-dumping order actually
13 stimulated a lot more competition for the American
14 bedroom producers. I know that might sound crazy.
15 But if you put up a barrier for business people to do
16 business, and say you can't do business here because
17 we're going to charge you a duty; but if you do
18 business over here, we won't charge you a duty; guess
19 what? They go over there.

20 But the production, just as George said,
21 stays put. The production that would have been
22 competing in the United States is still competing in
23 the United States with other categories, because they
24 will put those resources to work.

25 COMMISSIONER ARANOFF: Okay, I appreciate

1 those answers. If there's anything that anyone can
2 add post-hearing, to just help us figure out what the
3 general ownership is of the major players in Vietnam,
4 I'm given to understand some of the big ones are
5 transplants from China. But if there's others -- and
6 I still don't have a sense of whether any of them are
7 indigenous -- that would be helpful. And the same
8 information with regard to major players in Malaysia
9 and Indonesia would be helpful, as well.

10 I'm sorry, my time is really up, Mr. Koenig.
11 I'll have to come back to you.

12 MR. KOENIG: Okay.

13 COMMISSIONER ARANOFF: Thank you, Madame
14 Chairman.

15 CHAIRMAN OKUN: Commissioner Williamson.

16 COMMISSIONER WILLIAMSON: Thank you, Madame
17 Chairman. And I do want to express my appreciation to
18 the witnesses for their testimony and coming today.

19 I asked this question this morning, and
20 would like to have an answer from the panel about
21 differences in manufacturing process and technology
22 between the production in China and the production in
23 the United States. And how, and particularly how has
24 the production processes and technologies changed in
25 China in recent years. Anyone?

1 MR. TSAI: Yes, I can respond to that.
2 Well, as labor cost, as labor cost increases, we have
3 to automate. We have to automate more.

4 Our industry is not going to attract young
5 workers who prefer air-conditioned buildings, so we
6 have to make a lot of improvements of maybe robotic
7 arms for material handling. And we have consistently
8 made investments in those areas to make it, make our
9 operation less dependent on labor.

10 C and C machines, computer-controlled
11 machines. This morning I heard, you know, Stanley
12 invested in computer carving machines. We have quite
13 a few. We just can no longer rely on Chinese labor on
14 hand-carving, because there's no more hand-carvers.
15 And you're better off investing in equipment rather
16 than relying on hand-carving, because the hand-carving
17 at 10:00 in the morning is not going to look, is going
18 to be different from the 4:00 in the afternoon. So we
19 have automated.

20 COMMISSIONER WILLIAMSON: Thank you. Given
21 that, now, how different is that from what has
22 happened for U.S. manufacturers who are competing
23 successfully? I mean, have they had to do this?

24 And I guess the question is, if they have
25 now moved, you know, to more automation to compete,

1 China is moving to more automation to compete, what
2 does that mean about, if the orders are lifted, the
3 competition between U.S. producers and Chinese
4 producers? Is it going to become more intense and
5 sort of, say, the more advanced --

6 MR. TSAI: What you're saying is that China
7 will be at a much more advanced technology level,
8 production technique level if the order is removed?
9 They will be able to compete --

10 COMMISSIONER WILLIAMSON: What happens to
11 the basis of competition, the competition between the
12 U.S., domestic manufacturers here, and Chinese
13 producers?

14 MR. TSAI: Well, let me, let me give you one
15 example. This morning I heard my name mentioned many
16 times by Mr. Reau Berry of Johnston/Tombigbee, because
17 we also service the hospitality industry.

18 In response, I think I'll respond to his
19 comments, and then I think you might be able to get
20 some answers from that.

21 In response to Mr. Berry's comments, in
22 hospitality, really, you know, there is a group of
23 U.S. producers which I think did an excellent job of
24 upgrading their technology and their production.

25 For example, I just heard that the Folio --

1 this is a company based in Nevada, Las Vegas, Nevada -
2 - they have just built a modern, state-of-the-art
3 factory. I looked at their web site; I see robots
4 assembling the cases of night stands.

5 And you know, China, you know, even with the
6 same technology, they don't, they don't necessarily
7 compete in the same segment of the hospitality
8 industry.

9 For example, a Hilton company will never ask
10 me to quote on their Hampton Inns and Suites, because
11 that's not what I'm good at. They would, they would
12 go to Mr. Reau Berry and ask him to do, you know, a
13 Hampton Inn, or some other U.S. manufacturer, such as
14 Thomasville, such as Acclaim Hospitality, such as
15 Solid Comfort. There's a whole bunch of excellent
16 U.S. manufacturers in that particular type of product.

17 And we don't compete. I can't say for the
18 rest of China, but for me, I don't compete in those
19 projects. The customers, the hotel brands, the
20 purchasing companies do not come to me.

21 But on the other hand, you know, we had been
22 Marriott International's preferred vendor since 2003.
23 And then recently they came to us to renovate the
24 Grand Marquis Hotel in New York City, and it's a \$6.8
25 million project. We got it because we've got a good

1 track record. We've got quality, we've got a good
2 track record. They have been to the factory many
3 times. We are preferred vendor. And it's not a
4 pricing issue. It's not a pricing issue.

5 So to answer your question, even with better
6 technology, you have to -- I don't care where you are,
7 you've got to have technology. Even Vietnam. Because
8 the Vietnamese labor has to go up, too, in the next
9 five years. They've got inflation problems.

10 So even with better technology, you still
11 have to find your niche in the marketplace. And I
12 don't compete with Johnston/Tombigbee on some of his
13 projects. You know, I checked his web site; he has
14 successfully completed 659 Hampton Inns and Suites
15 projects across the United States. I can't touch his
16 price.

17 Thank you.

18 COMMISSIONER WILLIAMSON: I guess given, as
19 you yourself would say, we are in a globalized
20 economy. And one thing we know about a globalized
21 economy, everything changes very rapidly. And given
22 that there is buying, everybody's buying the same
23 state-of-the-art equipment from, you know,
24 Switzerland, Italy, Germany, I'm not sure I see your
25 argument that you can't compete in these, a different

1 market. Particularly if Vietnam sees the low end of
2 the market.

3 But that's, I don't know if anybody has an
4 answer to that. That's what I'm --

5 MR. GREENWALD: Let me try and look at it
6 the following way. When you begin to mechanize, your
7 labor costs, the labor hours per piece, go down. You
8 can no longer claim a clear labor cost advantage,
9 right? I mean, basically, your overhead, your plant
10 structure is the same.

11 The advantage that Asian production has had
12 over this, certainly from 2000 on, has been in the
13 labor area. When you are in a situation where you're
14 competing on the basis of mechanized production, it
15 seems to me the advantage goes straight back to the
16 United States; or alternatively, goes to a country
17 like Vietnam, where you still have measurable labor
18 costs.

19 We tried to do an analysis of the labor cost
20 advantage versus the disadvantages of a supply chain
21 extending across the Pacific.

22 If you lose the labor cost advantage, then
23 the advantage of procuring in China, however many
24 thousand miles away, with all the transportation
25 costs, disappears. And that, in fact, is what

1 happens. It explains some of the data that you see
2 before you.

3 Vietnam has a greater labor cost advantage
4 than does China. That's why you see a shift to
5 Vietnam. Similarly, Indonesia has a better labor cost
6 advantage than China.

7 So if the proposition is that won't
8 mechanization make China that much more of a threat,
9 and that seemed to be the implication behind the
10 question, my answer would be exactly the opposite.
11 Once you get competition between two relatively high-
12 labor-cost producers that are competing based on
13 mechanized production, it seems to me the advantage
14 you have in producing in China almost disappears
15 entirely.

16 COMMISSIONER WILLIAMSON: I don't want to
17 carry it out too much further, but I will say I've
18 heard some economists talk about the cost of capital
19 to China is actually artificially low, and much more
20 slow than to here. And we think about the advances
21 made in logistics and the cost of shipping. But I
22 think that leaves some questions open, but I don't
23 think I want to carry this any further.

24 I would like to change and ask another
25 question. If there are no settlement payments, if the

1 orders go away and there are no settlement payments,
2 can Chinese exporters lower their price to the U.S.?

3 MR. GREENWALD: Why would they? I mean,
4 that's sort of --

5 COMMISSIONER WILLIAMSON: But what should we
6 make of that?

7 MR. GREENWALD: Well, the notion is that if
8 you take away a cost, it makes sense to lower your
9 prices. Depends entirely on the proposition that you
10 will make up in increased volume what you lose off the
11 top by your lower prices.

12 And given the competition, again, from
13 Vietnam or from Indonesia, the question to me has got
14 to be why on earth would it make any sense to go to a
15 Chinese producer and say anti-dumping order is coming
16 off, the settlement agreements are going to stop;
17 therefore, wouldn't it be a good idea to lower your
18 prices.

19 The only answer is not unless I have to.

20 COMMISSIONER WILLIAMSON: Okay. Okay.
21 Actually, my time is about to expire, so I'll stop
22 there. Thank you.

23 CHAIRMAN OKUN: Commissioner Pinkert.

24 COMMISSIONER PINKERT: Thank you, Madame
25 Chairman. And I thank all of you for being here today

1 and testifying, helping us understand what's happening
2 and what is likely to happen in this industry.

3 You all heard the testimony this morning.
4 And one of the points that was made in connection with
5 a chart that was I think on page 21 of the, of the
6 slides, was that market share of subject plus non-
7 subject imports stabilized in 2007.

8 Now, I'm not asking you to comment on that,
9 the number. The number is whatever it is. But my
10 question is how do I decide whether the stabilization,
11 if there was one, of market share, starting in 2007,
12 was the result of the higher anti-dumping duty rates
13 in the administrative reviews, or was it the result of
14 something else.

15 I'm just, I realize we can all look at the
16 same picture and come to different conclusions. But I
17 want you to help me to grapple with that argument.

18 MR. GREENWALD: I'm delighted you asked that
19 question. That chart, the one that showed rate of
20 increase and then a preliminary determination, I
21 believe it was, or maybe the final, in the first
22 administrative review, was what led to a decline in
23 subject imports. That is one of the most preposterous
24 assertions that was made.

25 The administrative review results in the

1 first administrative review came out after settlements
2 had already been reached with hundreds of Chinese
3 producers; came out after I believe settlements may
4 have already been reached with hundreds of Chinese
5 producers in the second administrative review,
6 although I'd have to go back and check the data; and
7 affected a handful of Chinese producers that at most
8 accounted for an infinitesimal portion of Chinese
9 supply.

10 The idea that somehow the market seized on
11 this after, what is it, two and a half, three years
12 after the order first came into effect, and said oh,
13 my God, they're serious, should strike you again as
14 non-credible. It did not affect any measurable amount
15 of Chinese supply. It simply didn't.

16 COMMISSIONER PINKERT: Well, perhaps I would
17 ask both sides, for the post-hearing, to comment on
18 how much supply it did affect.

19 MR. GREENWALD: We would be more than happy
20 to do that.

21 COMMISSIONER PINKERT: Thank you.

22 MR. GRIMSON: Commissioner Pinkert, that
23 question will be quite hard to answer, but we'll give
24 it a shot, as well. I just wanted to point out again,
25 on this chart, which was slide 14, which we saw a

1 bunch of times, with the red line going up and down.

2 MR. KOENIG: I was looking at actually page
3 19 rather than page 21, but go ahead and comment on
4 14.

5 MR. GRIMSON: Yes, because this one came up
6 lots of times in answer to there is no causal link.

7 The actual instruction by Customs to raise
8 the duty rate to the rates found in the first review
9 wasn't issued until December 17 of 2007. That's when
10 the actual rates went into effect.

11 So this, I'm unclear, looking at this, where
12 these years line up with the lines above it. But one
13 thing I think that you have to say is that when those
14 duties actually hit was much closer to the minus-25-
15 percent number than the peaked figure that they say
16 suggests that these duties actually had an immediate
17 impact on, on trade.

18 There was something else going on. And you
19 can look at the imports from Vietnam. Again, I think
20 it's confidential numbers. But look at the quantity
21 that Vietnam increased in that year versus the
22 decrease from China. That happened before the high
23 duty rates from the first review went into effect.

24 COMMISSIONER PINKERT: Thank you. Now,
25 turning to the issue of the settlement agreements and

1 other elements of the revenue stream. Does it matter
2 how the domestic industry uses its anti-dumping
3 revenue stream? Or is your point more about how the,
4 how that process of settlement affects the actual
5 rates that are paid?

6 MR. GREENWALD: First, it's a misnomer to
7 say does it matter how the U.S. industry uses its
8 revenue stream. I think one of the points I tried to
9 make is this is a minor subset of the U.S. industry.

10 Second, you know --

11 COMMISSIONER PINKERT: I didn't mean to
12 opine on that point.

13 MR. GREENWALD: No, I know. But I mean,
14 this is one of the things that matters to those in the
15 domestic industry that do not support the order.

16 I don't think it matters how they used it.
17 What matters is the fact that, faced with a choice on
18 how an order should be managed, a conscious decision
19 was made to sacrifice whatever may have been the trade
20 impact for a revenue stream.

21 And in so doing, the Petitioners lost the
22 ability to argue that the order served, has ever
23 served the interests of the U.S. industry as a whole.

24 COMMISSIONER PINKERT: Now, Mr. Silverman,
25 by using the term "racket," do you mean to suggest

1 that there's something illegal about the settlement
2 agreements that we're talking about in this case?

3 MR. SILVERMAN: I'm just saying what we
4 understand the term to generally mean. That is to say
5 it's a distortion in the process. It's a distortion
6 in the administrative process and a distortion in the
7 statutory purposes. It's a racket because they can
8 sing one song and open their pocket while the money is
9 coming in and they're not employing any other workers.

10 Is it legal or is it illegal? Either way,
11 the economics is the same. And if you'd like us to
12 draft an opinion on that, Professor Greenwald is
13 ready.

14 COMMISSIONER PINKERT: I believe that's
15 Mr. Aykroyd you're talking about.

16 MR. SILVERMAN: No, I'm Aykroyd. He's
17 Bellucci. I'm not tall enough, but he's more Bellucci
18 than I am. Anyway, it doesn't matter for the
19 economics of it whether it's legal or it's illegal.
20 It has an economic impact. It's certainly viewed as a
21 clever scheme to circumvent the Department of Commerce
22 and their rules. If you want the 7.24, just pay us
23 and you can circumvent the Department of Commerce
24 investigation with a verification and all the
25 commercial uncertainty.

1 And by 'racket,' I mean that it's a scheme
2 to circumvent the purpose of the statute. It
3 undermines the goals of the statute by reemploying
4 Americans and they can tell you one thing, but they're
5 doing something else. And that's the racket. I think
6 that some people call it a shake down. Ms. Thompson
7 called it something else. It's just improper under
8 this law. It fits your statutory criteria in some
9 ways. And my goodness, you should stop it. Because
10 if you authorize it and you let that go by, it's going
11 to be the new game in town.

12 MR. PINKERT: I don't know if the word
13 'racket' is used in the U.S. Code, but the word
14 'racketeering' is used in the U.S. Code. So are you
15 suggesting that racketeering is going on?

16 MR. SILVERMAN: No.

17 COMMISSIONER PINKERT: Okay, thank you.

18 MR. KOENIG: Could I make one comment just
19 on the characterization? And you'll see in our
20 pre-hearing brief on pages 2 and 3 some correspondence
21 from the Petitioners to those in China soliciting
22 payments in exchange for removal from their review
23 request. So the activity actually goes beyond what
24 was characterized this morning. It was a solicitation
25 of offerors and some of them even indicated it was on

1 behalf of the Department of Commerce, so I don't know
2 what one would call that but I would thank you
3 improper.

4 COMMERCE PINKERT: Thank you. Thank you,
5 Madame Chairman.

6 CHAIRMAN OKUN: Let me ask a couple of
7 questions about vulnerability, and Mr. Greenwald, you
8 may have started on that in your testimony or maybe
9 even response to a question. But I just wanted to
10 make sure that I understood your argument with respect
11 to whether the Commission should find the industry
12 vulnerable.

13 And in particular, I'm interested in both
14 the state of the industry now and then what impact the
15 non-subject and the non-subject pricing is having.

16 MR. GREENWALD: If the question is the
17 industry vulnerable without asking as to what, but is
18 it going through a difficult period? Is employment
19 down? Is production down? Are all the indicators
20 down? I think the answer there is self-evident. The
21 industry is going through a very difficult period and
22 we would be foolish to try and say otherwise.

23 The question before you is, is the industry
24 vulnerable to harm associated with subject imports if
25 the order were to be revoked? And the answer there, I

1 think again is equally clear and it is no. It's a
2 causation issue. I mean I hate to raise the monetary
3 versus bifurcated analysis kind of stuff. But if you
4 think in a bifurcated context and the question is
5 vulnerability as to let's say injury, we would have a
6 tough time arguing that that is not the case.

7 But then the question becomes so, okay, are
8 subject imports likely to do anything to make matters
9 worse in the event the order were terminate? And the
10 answer there I think is equally clear. It's no. The
11 problems that the industry is experiencing now happen
12 to coincide with a fall in imports from China, a very
13 sharp rise in imports from Vietnam.

14 And going back six years ago, I'd said I
15 thought this order would do more harm than good, and I
16 stand by that. Because what I think the order has
17 done is created a source of additional lower cost
18 supply that probably would have been created anyway
19 just because that's the way the markets operate, but
20 it would have taken more time.

21 I don't think removal of this order,
22 revocation would have any discernible impact on the
23 condition or performance for operation of the United
24 States industry and I don't see an iota of evidence in
25 the record to suggest that it would.

1 CHAIRMAN OKUN: I appreciate those comments.
2 I guess maybe just a follow on to that, Petitioners
3 argued this morning that the statute does not require
4 the Commission to find that there was benefit from the
5 order in order to find that we should not revoke the
6 order, that it'd be a continuation of injury.

7 My question for you is -- I actually agree
8 with that and I don't believe your brief is one that
9 focused on that. So I may ask other counsel for
10 post-hearing to just address that specific point. But
11 taken that I don't agree that we had to find a benefit
12 from the order, the Petitioners did give a number of
13 specific examples of ways they found that the order
14 did help them in terms of either capital investments,
15 investments they would have made and pointed to
16 specific instances.

17 So therefore arguing that if we lift the
18 order the industry that's been able to hang on will be
19 wiped, will not be able to sustain itself. and I want
20 you to respond to that specifically. Again, not about
21 whether we had to find benefit, but just did they
22 provide evidence today of where they felt they would
23 have impacts if we lifted the order?

24 MR. GREENWALD: In my view, zero. There are
25 lots of assertions. It's also true when go through

1 the record there are assertions in lots of the
2 questionnaire responses about a parade of horrible
3 that would have happened or would happen if the order
4 were revoked. There is, as I read the record, not a
5 single piece of solid evidence that says that
6 revocation of the order will lead to an increase or
7 anything else in imports from China that are going to
8 have any measurable impact on domestic production, the
9 prices of domestic production.

10 I mean I understand the assertions were made
11 and I know that throughout the record Commissioner
12 Aranoff mentions the importer question is. They do
13 say things, but you need more than that. I don't
14 think you have to find that the order was a benefit,
15 but I do think you have an affirmative obligation to
16 find the probability of revocation would be recurrence
17 of material injury by reason of the subject imports.
18 So it's a causation issue and it is an affirmative
19 obligation on you all to find it.

20 And frankly, Petitioners to meet that burden
21 in order for this order to continue the presumption
22 has to be for revocation unless that case is made.
23 And assertions without more seem to me not to provide
24 the basis that you need to make the decision they want
25 you to make.

1 MR. SILVERMAN: This is Bill Silverman. You
2 asked about these expenditures that they referred to.
3 Please compare those statements to the information in
4 the business plans that the Commission asked each of
5 these companies to submit. If it's such a big
6 investment and they have a plan, and they get approval
7 from their board or from their bank and they have
8 projects, et cetera, et cetera, look at their business
9 plan because the Commission question is ask for their
10 business plan. So compare the answers to that
11 question to the simple declarative statements you
12 heard here today to see whether it's real.

13 CHAIRMAN OKUN: I personally do find the
14 business plans particularly helpful in answering some
15 of those questions. So to the extend there are
16 producers who are able to provide something else, I
17 would look at them for that point.

18 With respect to the pricing question, and
19 Mr. Greenwald I'll start with you, but would welcome
20 comments by Mr. Koenig as well. You had in I think in
21 response to an earlier question from one of my
22 colleague indicated that if the order were lifted the
23 Chinese would not have an incentive to lower their
24 prices.

25 And I wondered, looking at trying to sort

1 out the evidence in the record with respect to whether
2 the Chinese would need to lower prices to compete with
3 non-subject product in the United States in the event
4 the order were lifted, what would you point us to to
5 say that they would not have to lower prices in order
6 to come back and reenter the U.S. market and take
7 market share?

8 MR. GREENWALD: The pricing data that are in
9 the record show no, again to me, correlation between
10 movement of prices in imports from China and movement
11 of prices in the domestic industry. There is nothing
12 in the record of this investigation about relative
13 pricing of Vietnamese versus Chinese supply. But I
14 think, again, given the economics at work, the
15 exchange rate shifts, the labor cost shift, labor
16 shortage, et cetera, the truth of the matter is the
17 Chinese are going to be hard pressed to meet the
18 Vietnamese on price. And if they got into a price
19 battle with the Vietnamese, it seems to me to be
20 almost by definition a losing proposition, so I cannot
21 imagine why they would do it.

22 CHAIRMAN OKUN: Mr. Koenig in the back.

23 MR. P. KOENIG: Okay. Actually the other
24 Koenig wanted to say something too afterwards.

25 CHAIRMAN OKUN: You could say something to.

1 Let me hear from our retailer first. Make sure your
2 microphone is on, please.

3 MR. K. KOENIG: Could you say one more time
4 what you wanted me to clarify?

5 CHAIRMAN OKUN: Just in terms of whether the
6 Chinese would be competing with lower prices from
7 Vietnam in order to regain market share if the order
8 were lifted.

9 MR. K. KOENIG: It's almost like water seeks
10 its own level and businesses do. And the domestic
11 category and the Vietnamese suppliers and the Chinese
12 suppliers have each found areas where they can compete
13 in. The domestic companies will continue to be
14 successful, price competition or not, based on their
15 ability to bring value to the market.

16 I don't believe this anti-dumping order,
17 whether it stays or it doesn't, it's going to really
18 affect that. What will affect is between China,
19 Vietnam, Indonesia and the import countries because
20 that's where the lost cost lies.

21 With respect to your particular question, I
22 believe that Chinese factories will look at the
23 marketplace from an opportunity standpoint and they
24 will probably gain market share versus Vietnam. I
25 believe Vietnam will lose market share. Will it be

1 price related? Probably not as much as it will be
2 style and value-relate in other ways.

3 CHAIRMAN OKUN: Okay. Mr. Koenig, do you
4 have something? Do you have something?

5 MR. P. KOENIG: We submitted several
6 economic studies in our pre-hearing briefs. And
7 that's one of the issues the economists looked at,
8 relative pricing of China versus Vietnam. And they
9 found that China was not responsive to Vietnam
10 pricing. It was inelastic. And I think those studies
11 are compelling. I know the Petitioners mentioned a
12 contrary view this morning, but they didn't really
13 address the conclusions of the study.

14 The conclusions of the study were to look at
15 an 8- to 10-year period through 2009, including the
16 annual reviews. When Petitioners tried to say the
17 study found otherwise, all they could do was cite to
18 right after the preliminary decision in the original
19 investigation. Of course, after a preliminary
20 decision there isn't an instantaneous, overnight
21 change to another source. It takes a few months or
22 even 18 months.

23 But the conclusion of the study was over the
24 long term that transition happened and the order had
25 no impact, irrespective of any initial.

1 CHAIRMAN OKUN: Okay. Thank you.

2 Commissioner Lane?

3 COMMISSIONER LANE: Dr. Koenig, I'll
4 continue with you because you hit upon the question
5 that I wanted to ask, which is what are the relative
6 prices of Chinese bedroom furniture and the Vietnamese
7 bedroom furniture?

8 MR. P. KOENIG: Actually, on that one I
9 think somebody else should address.

10 COMMISSIONER LANE: I just assumed that when
11 you said that your study talked about that that you
12 might have had actual prices?

13 MR. P. KOENIG: What I was referring to
14 there was multiple university studies in which the
15 university professors looked at the import data from
16 Vietnam and China and did an econometric analysis and
17 it came to some conclusions. And I was noting their
18 conclusions. But I think others on the Respondents
19 side, as far as the questionnaire responses.

20 COMMISSIONER LANE: And this study, I don't
21 remember, didn't have actual prices like per unit
22 value?

23 MR. P. KOENIG: They looked at import
24 values, right, and unit values.

25 COMMISSIONER LANE: Okay. Could somebody

1 answer the question of let's say we take a queen-sized
2 bed from China in the medium range and a comparable
3 queen-sized bed from Vietnam what's the difference in
4 prices?

5 MR. K. KOENIG: That's really hard to say.
6 That's kind of like what's the difference between
7 prices in apples? There are a lot of different types
8 of apples. You can get MacIntosh. You can get the
9 granny green apple. And are they all about the same?
10 Generally speaking, they have to compete in the
11 marketplace, so they're relatively going to be
12 relatively similar. But if you were going to paint
13 with a broad brush, you would say Vietnam is probably
14 going to have a little less workmanship in it and it's
15 going to be a little less expenses. And those factors
16 are geared towards the lower end.

17 In China it's going to be a little bit more
18 workmanship and a little bit higher end. But can you
19 get higher end and more workmanship out of Vietnam?
20 Yes. Actually, the best factory on the planet, I
21 think, is in Vietnam. It's called Theodore Alexander
22 and it's incredible. And there is more hand work and
23 higher-end furniture there. If you go into every
24 high-end furniture retailer in Washington, D.C.,
25 you'll see Theodore Alexander product made in Vietnam

1 that you would love.

2 So it's very hard to paint with a real broad
3 brush, but that would be the best generalization I
4 could give you.

5 COMMISSIONER LANE: Okay, let me stay with
6 you. You are asking us or telling us with a broad
7 brush that if the orders are coming off China won't be
8 able to compete with Vietnam because of price. And
9 I'm asking you what are the prices so that I can make
10 my own evaluation of this.

11 MR. K. KOENIG: I'm sorry. I'm not going to
12 say that China can't compete with Vietnam just on
13 price. Because price is not the only determination.
14 It's like every other product there's a market for a
15 lower price and there's a market for a step up,
16 whether it's a lady's handbag or a queen-size Louis
17 Philippe bed. There's room for everybody and I would
18 say that China can compete very well with Vietnam and
19 does now in many products. And Vietnam has beaten
20 China in many ways and has competed well.

21 So I'm not sure I'm answering your question
22 real well.

23 COMMISSIONER LANE: Does anybody else want
24 to take a shot at the answer?

25 MR. TSAI: Yes, I think I will. If I take

1 my product line, Fairmont Designs product line that I
2 produce in Dong Guan facilities -- and I'm not on the
3 promotional end of this. Our typical bedroom we have
4 12 collections. And if you talk about a queen and a
5 night stand, a dresser, mirror, we're talking about
6 retail price point in the 3,000 to \$4,000 dollar
7 range, okay.

8 We're now buying from Vietnam and that's
9 helping us to offer price points between 1,500 to
10 2,000 price points.

11 COMMISSIONER LANE: And those would be the
12 wholesale prices? I mean those would be the prices
13 that you would be paying or those would be the prices
14 that would be --

15 MR. TSAI: Retail. Retail.

16 COMMISSIONER LANE: Retail? Okay. That
17 helped some.

18 MR. GREENWALD: We struggled with this
19 because we thought that the issue of China versus
20 Vietnam pricing would come up. And the Commission
21 didn't collect pricing data for Vietnam. There was no
22 compelling reason to. What we did do at page 33 of
23 our brief, if you have it there, is look at average
24 unit values over time for the same import categories.

25 There are obvious problems of data are that

1 as a general proposition an average piece of
2 furniture, bedroom furniture imported from Vietnam is
3 roughly 20 to 30 percent less than the average piece
4 of furniture imported from China. There did appear to
5 be a systematic price differential.

6 COMMISSIONER LANE: Okay. Thank you.

7 I want to go back to the whole market
8 consumption of wooden bedroom furniture in China. And
9 I'm having a hard time reconciling the thought that
10 wages have come up now so that the average factory
11 worker is making \$400 a month, which is one of the
12 graphs. And how that person then is going to be able
13 to buy a \$4,000 bedroom collection.

14 MR. TSAI: Let me clarify that. We've been
15 in the Chinese market for over 10 years. I think for
16 people who are making -- you know you're talking about
17 a typical factory worker he doesn't have a home. He
18 lives in the dormitory or he rented a small apartment
19 near the factory. So I was referring to the middle
20 class that Chinese economy has developed over the last
21 two decades.

22 There's approximately 150 to 200 million
23 population that are considered middle class along the
24 coastal cities. I just read a study there are 14
25 cities -- you know, the average GDP of Chinese

1 population. China's got big population, 1.2, 1.3
2 billion. The average GDP 3,000 U.S. dollars.

3 But I just read a report that in 14 cities
4 of China -- in 14 cities of China the GDP is over
5 \$10,000 a year, okay. So this middle class like a lot
6 of them are beginning to like American-style
7 furniture. For people who don't have that money, they
8 would buy print paper furniture from somebody else.
9 There's a whole industry in China that produces and
10 are geared to domestic markets of paper print
11 furniture.

12 I heard a comment this morning from
13 Mr. Sandberg that he's concerned about that capacity
14 going into U.S. exports. I don't believe so. They
15 have big Chinese markets. It's well priced. It's
16 good value. And it's good for people who's making
17 maybe \$600, \$800 per month that's working in my
18 office, not on the factory floor.

19 COMMISSIONER LANE: Okay. Thank you.

20 That brings me to another question. On
21 page 4-8 of the staff report, it states 'The Chinese
22 producers have constraints on capacity related to a
23 number of factors, including the availability of
24 skilled labor and the availability of raw materials.'

25 Just how expensive are those constraints? I

1 know that you've talked about that the labor costs
2 have risen and that certain people don't really want
3 to work in the factories. They'd rather do something
4 with electronics. Can you document that the lack of
5 skilled labor and the lack of raw materials really
6 hampered the production of wooden bedroom furniture in
7 China?

8 MR. TSAI: I think certainly we can document
9 that. I think certainly when it comes to raw material
10 -- I have been operating in China since 1994. China
11 does not like, unlike Vietnam and unlike Indonesia and
12 unlike Malaysia, China really does not have a lot of
13 natural resources. They have some in northern China.
14 If you take it and divide it by the sheer number of
15 population, I mean per capita it's negligible. So
16 China had to depend on 100 percent import of raw
17 materials. So they really don't have that advantage
18 in wood.

19 Malaysia has rubber wood plantations.
20 Indonesia has wood like mahogany, tropical hardwoods
21 like mahogany or songhai, which a lot of the wooden
22 bedroom furniture is made of. Even though Vietnam has
23 limited natural resources, but they go to Laos. They
24 go to Cambodia. And they can still get rubber wood,
25 hardwoods from that region. But China certainly has a

1 disadvantage in raw material.

2 And when it comes to shortage of labor,
3 you've got to understand that I would say in the last
4 five years Chinese government implemented labor laws,
5 starting 2005, okay. And every legitimate factory has
6 to follow those rules, otherwise no workers will work
7 for you. Plus, there is massive economic develops in
8 the interior of China. Provinces that are far away
9 from the coastal area.

10 Recently, I just visited a cut-and-sew
11 operation. Let me just very quickly explain. Your
12 sofa and then it's covered by fabric. So you have the
13 fabric pre-cut and pre-sewn and then sent to the U.S.
14 so that you can upholster it and turn that into
15 upholster. And I think Keith's plant in Mississippi
16 was exploring that.

17 And I walked into that factory, and this is
18 a huge factory in the interior in China. And to my
19 surprise I see people in the late teens and early
20 twenties that I will never see in the coastal area.
21 In other words, what I'm saying is there's job
22 creation of light industry within the interior of
23 China so that labor force does not come to the coastal
24 area. They want to be staying close to home and work
25 in factories that are on a five-minute bicycle ride.

1 COMMISSIONER LANE: We'd better wait until
2 the next round. Thank you.

3 CHAIRMAN OKUN: Commissioner Pearson?

4 COMMISSIONER PEARSON: Thank you, Madame
5 Chairman.

6 Mr. Tsai, is Fairmont Designs considering
7 building a furniture production facility in Vietnam?
8 Or is it so easy to buy furniture there from other
9 producers that there's no need to build a factory in
10 Vietnam?

11 MR. TSAI: I think the economics of building
12 a brand new factory in Vietnam is out of the question
13 for our company. However, we would very much like to
14 acquire as an American company an existing facility in
15 Vietnam to produce our goods. And again, that's part
16 of globalization.

17 I have a upholstery factory on the West
18 Coast. I'm going to open up another upholstery
19 factory in North Carolina, creating American jobs.
20 But I have to go to Vietnam for the future of the
21 company to buy wooden bedroom furniture because I
22 don't know how long my Chinese facility is going to
23 last. But I've got the domestic market up my sleeve.
24 I can release those capacities to the Chinese domestic
25 market.

1 COMMISSIONER PEARSON: Thank you for that
2 comment. I could explain. I really wasn't wanting
3 you to get into what we could consider confidential
4 business information. Don't put that out in front of
5 us, but to hear your explanation is very helpful.

6 I have a question for counsel. Do you have
7 an ability to calculate trade-weighted duties that
8 have actually been applied to subject imports over the
9 period of review? And I ask that question because I
10 know that you have at least some information on the
11 volumes of shipments by some of your client companies
12 and the duties that they would have been paying.

13 And I'm curious to know whether the
14 trade-weighted duty has been going up over the course
15 of the reviews or whether once duties go up no product
16 actually comes in that pays the high duty, thus the
17 trade-weighted duty remains low. Does that make any
18 sense?

19 MR. GREENWALD: It does. I think the best I
20 can offer as a response is each counsel has access,
21 obviously, to their own clients trade-weighted data.
22 We probably represent -- I don't know what percentage
23 collectively of imports from China. But I think we
24 could probably make a stab at it, try and get together
25 to give a joint response to the Commission about the

1 information you seek.

2 COMMISSIONER PEARSON: If you could, I would
3 appreciate it because it might shed a little
4 additional light on what we're seeing in the data and
5 why are things happening or not happening. It might
6 help us to understand better whether the actual
7 anti-dumping duties have played a big role in reducing
8 the quantity of Chinese product coming into the
9 country or whether it has been more the competition
10 with Vietnamese product that has constrained imports
11 from China. So do what you can, please.

12 MR. SILVERMAN: Bill Silverman. I think
13 it's important -- Bill Silverman.

14 COMMISSIONER PEARSON: Yes, Mr. Silverman.

15 MR. SILVERMAN: The line graphs you saw this
16 morning from the other side are misleading when they
17 try to suggest when the impact of the Department of
18 Commerce decisions appeared in the trade inflow data
19 or the trade flow data. And it's misleading
20 because -- let's put it this way. In various
21 proceedings before this body, people come in from the
22 domestic side and say we filed a petition. That's
23 when our imports slowed down.

24 Then sometimes they come in and say after
25 the preliminary determinations that's when the teeth

1 bit. And other times they come in and say it wasn't
2 until the Department of Commerce entered the order.
3 And in this case in one of their tables they said the
4 teeth really bit when the preliminary decision was
5 issued in the first review. Of course, the
6 preliminary decision in the first review has no impact
7 if it doesn't change the bonding rates.

8 If you want to understand how this works,
9 you have to understand how the business works. Some
10 people buy on long-term contracts and the bite of the
11 statute is delayed until the next contract comes up.
12 Last week or 10 days ago I was here and have annual
13 contracts. Therefore, it can't have a bite until the
14 next annual contract comes up.

15 So the line graphs they showed you this
16 morning is very misleading. And the commercial
17 behavior in the market is very different. And
18 therefore, unless you have some way of analyzing
19 whether it was the day the petition was filed, the day
20 the ITC made it's prelim, the day the Department of
21 Commerce made it's prelim, the day the Commerce made
22 the final, the first review, all those dates. It's
23 much more sound to look at Table 1-1 in the staff
24 report and you'll see a long 10-year period.

25 And you can pick any day in the Department

1 of Commerce initial investigation, your initial
2 investigation, the first review, it doesn't matter.
3 All those lines are straight and they're gradually
4 going down. But what they've done this morning is
5 pick one or two odd things and said market share that
6 was all settled after the prelim in the first review.
7 That's nonsense. It doesn't work that way.

8 I understand why you're asking about the
9 weighted average, but even that doesn't work because
10 the bite of the dumping order is the uncertainty going
11 forward and whether you have long-term contracts or
12 you spot contracts. So if you want to sort that out,
13 you have talk to lots of different aspects of the
14 market.

15 If you want to understand the causal impact
16 or the lack of causal impacts, look at Table 1-1.
17 Pick any date you want. Employment has been going
18 down from 35,000 down to 8,000 people on a straight
19 line all the way down. Pick any day you want. It
20 didn't have any bite. But don't be misled by their
21 selecting certain days like the preliminary in the
22 first review. That's when the bite was. It doesn't
23 work that way.

24 COMMISSIONER PEARSON: It appears that you
25 have a different view of the time line of relevant

1 influences on this record. And so by all means, go
2 ahead and chart it out to help us understand it. And
3 if this trade-weighted tariff information that's
4 relevant to that, put it on there. Mr. McLain?

5 MR. McLAIN: Commissioner, I just want to
6 point out that when Petitioners were trying to make
7 the point that the order got traction after a series
8 of administrative reviews with higher cash deposits
9 rates those applied to a small minority of Respondents
10 with separate rates. And I refer you to 1-11 in the
11 staff report, which shows you the number of separate
12 rate Respondents getting reviewed and getting separate
13 rates that are above these 7 point something rate from
14 the original investigation.

15 It's not a plausible explanation for why you
16 don't see the trade flows you would expect from a
17 beneficial order.

18 COMMISSIONER PEARSON: Right, which gets
19 back to the question about the trade-weighted
20 information. I see some rates going up and others
21 down. I don't know how much is being shipped at those
22 rates and it's not at all clear to me. So whatever
23 light you can shine would be great.

24 MR. P. KOENIG: I'd like to make one other
25 quick point. Peter Koenig. If you look at the

1 imports of non-wooden bedroom furniture, they show a
2 similar -- from China they show similar downward
3 trends and I think that's reflective of some
4 overarching economic factors at work -- labor,
5 currency depreciation, et cetera. They're obviously
6 not affected by the dumping duty.

7 COMMISSIONER PEARSON: Right. No, that
8 point was touched on before. If there's more that we
9 should know about it, by all means elaborate in the
10 post-hearing. Mr. Ferrin?

11 MR. FERRIN: Yes. One possible way to take
12 an imperfect stab at this is to look at the list of
13 companies that still have the 7.24 rate. By our count
14 there are 94 companies that still have the 7.24 rate.
15 And to look in the filings that have to be done every
16 year at the beginning of the review period, according
17 to the Petitioners they filed a review request against
18 everybody on earth. And as part of the first step of
19 this, each of these companies have to give their
20 volume and value information.

21 We do not have access to the volume and
22 value information for all of these companies, the
23 actual number, but they have to provide in the public
24 version of what they submit to the Commerce Department
25 a range I think which is supposed to be within 10

1 percent one way or the other. So it may not be
2 perfect, but it may at least try to get in the general
3 direction.

4 COMMISSIONER PEARSON: Right. And even
5 being able to put a range around things would tell me
6 more than I know now.

7 Another question. Are there factors that
8 suggest that the value of the dong will continue to
9 depreciate relative to both the dollar and the RMB?

10 MR. TSAI: Yes. The difference between
11 China and Vietnam is China enjoys a trade surplus with
12 pretty much the rest of the world, maybe with the
13 exception of Japan because they need to buy advance
14 equipment from Japan to do those high-tech exports.

15 Vietnam, on the other hand, it's a
16 developing economy. They have to bring in a lot of
17 capital goods. They are just about to build their
18 first national company, a steel company because they
19 have to bring in steel for construction. So they
20 bring in more capital goods, materials than they are
21 exporting. And they are exporting shoes, toys, wooden
22 bedroom furniture or other type of furniture and they
23 are at the low end of the value chain of each
24 industry. So their exports can't keep up with their
25 imports of capital goods. So they continue to have

1 trade deficits, which drives their currency.

2 COMMISSIONER PEARSON: Okay. Thank you very
3 much. Madame Chairman, my time has expired.

4 CHAIRMAN OKUN: Mr. Williamson?

5 COMMISSIONER WILLIAMSON: Thank you, Madame
6 Chairman.

7 Respondents have argued that the low labor
8 costs abroad make U.S. producers uncompetitive, and
9 I'm wondering, are we supposed to take this into
10 account in our analysis? And isn't this really true
11 for almost every industry we look at?

12 MR. GREENWALD: No. I mean we are a
13 high-labor cost country. On the other hand, there
14 are --

15 COMMISSIONER WILLIAMSON: I'm sorry, low
16 labor cost abroad. Excuse me.

17 MR. GREENWALD: We are high labor.

18 COMMISSIONER WILLIAMSON: Right. Exactly.

19 MR. GREENWALD: Low labor costs in China
20 relatively even lower in Vietnam. There are lots of
21 industries, many of whom come before you where the
22 labor cost differential does not drive the economics.
23 This is an exception. Here you can go through the
24 hours, the average hours it takes a Stanley or a
25 Vaughn Bassett or any other company you want because

1 it's all in the questionnaire responses, to make a
2 piece of furniture. And you can calculate the average
3 price of that piece of furniture. And if you do it
4 right, you will be astonished at the extent to which
5 in this particular industry because of its labor
6 intensivity, labor costs matter.

7 This is a case that never made any sense and
8 has never made any good and can never do any good.
9 And it traces back, fundamentally, to labor costs.
10 But the idea that somehow because in this industry
11 labor costs matter as much as they do therefore we
12 shouldn't somehow pay attention to labor costs strikes
13 me as the same thing as saying the Commission ought to
14 ignore the fundamental economics of this industry.

15 There are lots of other industries. In
16 steel it isn't nearly as important. Even in something
17 like autos it's important, but not nearly as much.
18 here the labor cost differential and the significance
19 of labor costs to the economics of production, or as
20 Petitioners called this morning this sort unusually
21 heavy variable cost matter enormously. It drives the
22 whole economics of this business and it means that the
23 order has been and will continue to be, if you decide
24 to continue it, utterly beside the point.

25 COMMISSIONER WILLIAMSON: Anyone else want

1 to address that?

2 (No response.)

3 COMMISSIONER WILLIAMSON: Thank you. You
4 point to the data in the staff report from responding
5 Chinese producers with respect to changing capacity
6 and capacity utilization, however, our response rate
7 is currently very low. And why should we consider the
8 current data to be truly representative of the much
9 larger Chinese industry?

10 MR. GREENWALD: One of the very, very
11 unfortunate byproducts of the way this order has
12 operated is that it has created a disincentive among
13 most Chinese companies to let Petitioners know that
14 they are the ones that are providing you the data you
15 want.

16 First, I believe the data are available. In
17 fact, I believe the data in aggregated have been
18 appended to the Guan Dong producers brief. But there
19 are reasons that have to do with the way this
20 particular order has operated that have left most
21 Chinese companies unwilling to be put in the position
22 where if the order were continued they could be
23 subject to retaliation.

24 Now you can say therefore shouldn't we
25 presume against them? What I would urge you to do in

1 this case is understand the reason for the problem
2 traces back to the way in which the order has been
3 applied or managed, if I can use that word. And that,
4 in turn, traces back to the choice that the
5 Petitioners group have made to use the order as a
6 revenue stream.

7 MR. P. KOENIG: If I could make one addition
8 to that. In the Guan Dong pre-hearing brief, Exhibit
9 8, we had the further submission on why the Chinese
10 will serve everybody in the Commission and they'll
11 even serve the economic consultants of the
12 Petitioners, but just no King & Spalding. And they
13 provided the details of why the King & Spalding
14 submission on this issue was wrong.

15 At the time you made your decision on that
16 issue, you had not seen what is Exhibit 8 of our
17 pre-hearing brief. Because procedurally, the way it
18 was is we said that King & Spalding should not have
19 access and King & Spalding replied. And we weren't
20 permitted a reply to what they said. But now you have
21 it. And I think it illuminates further what was said
22 about you have to understand what's going on here.

23 I've had actually 55 questionnaire responses
24 fully completed, signed, sitting on my desk since July
25 23, with the condition they can go to the Commission

1 and they can go to everybody else, but they cannot go
2 to King & Spalding. I will keep trying to change that
3 view, but it's a meritorious view on the Chinese side.

4 COMMISSIONER WILLIAMSON: Okay. I'm not
5 going to get into that debate. So we don't have the
6 raw data that we normally have. That does put
7 constraints on us.

8 The post-hearing could you respond to the
9 Petitioners' critique of foreign producers reported
10 capacity contained in Exhibit 16 of their brief? You
11 can see it there in a second.

12 MR. P. KOENIG: Sure.

13 COMMISSIONER WILLIAMSON: The record in this
14 case is some production facilities can produce other
15 products on the same equipment. And given this, what
16 is the best way to calculate capacity utilization?

17 MR. TSAI: Could you repeat the question
18 again?

19 COMMISSIONER WILLIAMSON: Our records
20 indicate that many production facilities can produce
21 more than one type of product on the same equipment.
22 So you can produce both bedroom furniture and office
23 furniture or living room furniture on the same
24 equipment. And so in light of that, how do we
25 calculate production capacity?

1 MR. TSAI: Production capacity overall or
2 production capacity of wooden bedroom furniture?

3 COMMISSIONER WILLIAMSON: Wooden bedroom
4 furniture.

5 MR. TSAI: That's a very, very difficult
6 question.

7 COMMISSIONER WILLIAMSON: With difficulty.

8 MR. TSAI: You've got to understand the
9 Chinese factories, most of them, maybe with the
10 exception of Fairmont Designs and Lackercraft, which
11 has zero duty, most of the Chinese factory are
12 contract manufacturers, okay. And some of them sell
13 directly to retailers, but most of them have to work
14 with a U.S. importer. So if a U.S. importer does not
15 see the value in his products, he's not going to buy
16 from him. So really he has not directions. He does
17 not make a decision on whether he produces dining room
18 today or bedroom tomorrow. So that decision has to
19 come from the importer in.

20 To answer your question specifically, to go
21 from making this type of furniture to the next type of
22 furniture, yes, I guess you can make any kind of wood
23 furniture in a wood factory. But it's easier said
24 than done.

25 COMMISSIONER WILLIAMSON: What you're saying

1 is that the factory producer depends on what the
2 orders he has.

3 MR. TSAI: Right.

4 COMMISSIONER WILLIAMSON: Shifting from one
5 type of product to another must be fairly common?

6 MR. TSAI: There are factories that are
7 known as case good bedroom factories. There are
8 factories that are known as dining room chair factory
9 or you are a table factory. You have to specialize.
10 Even in China, you cannot be everything to everybody.

11 MR. K. KOENIG: If I can to that.

12 COMMISSIONER WILLIAMSON: Sure.

13 MR. K. KOENIG: I was at Lackercraft a few
14 weeks ago in China and with six production factories
15 two were assigned to bedroom. One was assigned to
16 dining room tables. Another was assigned to dining
17 room china buffet and hutch. So it's very
18 specialized. So if you said over the long term can
19 the factories rearrange their priorities, they will
20 with whatever economics are necessary.

21 In a short run as in a year or two years or
22 three years, very difficult because the equipment to
23 make bedroom is completely different than the
24 equipment to make upholstered furniture or make dining
25 room furniture. Believe it or not, even bedroom to

1 dining room, two substantially different production
2 techniques.

3 COMMISSIONER WILLIAMSON: Okay. But
4 shifting does take place because I assume the factory
5 owner wants to be busy. I know it takes time.
6 There's a cost involved in it, but say if an order
7 comes into effect and the demand for bedroom
8 furniture, the U.S. market goes down are they likely
9 to shift to something else.

10 MR. TSAI: They certainly have choices. And
11 if a U.S. importer goes to this Chinese factory and
12 say you know what, I like your quality, but I like the
13 Vietnam price. Can you match the Vietnam price? I
14 don't think Chinese factories can match Vietnam price.
15 They would have to start with new products for market
16 introduction and that takes time. It's six months to
17 nine months away by the time the U.S. importer shows
18 that in High Point showroom to the time it gets to
19 delivery. It takes a minimum of six months for any
20 new product.

21 COMMISSIONER WILLIAMSON: Okay. Thank you.
22 My time has expired. Thanks for those answers.

23 CHAIRMAN OKUN: Mr. Pinkert?

24 COMMISSIONER PINKERT: Thank you , Madame
25 Chairman.

1 Can anybody on the panel testify as to
2 whether the Lacey Act or other environmental
3 restrictions have affected trade in subject imports in
4 the United States?

5 MR. GRIMSON: Commissioner Pinkert, the
6 Lacey Act went into effect in May of 2008, making it
7 illegal to trade in unlawfully harvested wood
8 products. That is called the prohibition part of the
9 Lacey Act and that is in effect and it is a concern to
10 all who bring wood products into the United States,
11 whether it's paper, furniture, even some strange
12 examples like cosmetics that are based on fiber.

13 There is a second part, though, that is the
14 declaration requirement, which is where an importer
15 has to declare the source country and origin, genus,
16 and species of the wood that is in the finished
17 product shipped to the United States. That has not
18 gone into effect for furniture yet and it will be at
19 least probably a year before the earliest time when
20 that could go into effect.

21 So I would say that Lacey, from what I
22 understanding talking with a lot of folks in this
23 area, it is an overall concern and all players in all
24 industries are dealing with it. Not just from China,
25 of course, but from every foreign source. but the

1 more onerous import burden isn't quite in place yet,
2 the declaration requirement.

3 COMMISSIONER PINKERT: Of course, you got my
4 attention when you said in about a year because in the
5 Sunset Review we're looking to the reasonably
6 foreseeable future. So I would ask you for the
7 post-hearing to provide whatever commentary you have
8 on whether you expect the Lacey Act reporting
9 requirements that you just described to have an effect
10 on subject imports in the reasonably foreseeable
11 future.

12 MR. GRIMSON: Okay.

13 COMMISSIONER PINKERT: Thank you. Now
14 regarding non-subject imports, as somebody on the
15 panel may recall the use of the term 'whack-a-mole' in
16 connection with the idea of injury going from one
17 country to another. You put an anti-dumping order on
18 County X and then injurious imports come from Country
19 Y. And then you put an order on Country Y and so
20 forth. The process continues. Is that what we have
21 here? And if not, why not?

22 MR. GREENWALD: The answer is I don't think
23 Petitioners could ever get the support they would need
24 for a case against Vietnam for standing purposes.

25 I think you raise a reasonable point. The

1 question is if you have an order on China and the
2 problem appears to be Vietnam the solution ought to be
3 then to keep the order in China in place and go after
4 Vietnam. It is no coincident that Stanley, for
5 example, has abandoned its U.S. production, not in
6 favor of production in China. If you read their 2009
7 annual report what they say is we are closing our
8 Stanley Town, Virginia plant and we're going to our
9 suppliers. This is in May of 2010.

10 At the end of the year in 2009, what they
11 say is we are transitioning all our China supply to
12 Indonesia and Vietnam. Stickley, which is a very
13 high-end producer is in Vietnam. The only case that I
14 think you will ever see on furniture is against China
15 and it was because the only case in which there was
16 sufficient industry support to support a case, and
17 even that six years ago was a very, very close
18 standing question.

19 So I think that on these facts what you must
20 assume is that the order against China is a
21 stand-alone order. And it is on those merits alone
22 that it has to be judged. No case against Vietnam.
23 No case against Indonesia. Furniture Brands
24 International is about to open its largest furniture
25 plant in the world in Indonesia. So what you find is

1 a globalization in terms of supply, a transition of
2 the U.S. industry to blend its sourcing, which is far
3 greater than it was six years ago.

4 And I think frankly a zero probability that
5 there will be anything other than a case against
6 China. So I come back to the point that you have to
7 assess the affects of revocation on the supposition
8 that this is a stand-alone case.

9 COMMISSIONER PINKERT: Thank you.

10 Now a quick question about the Great
11 Recession. You recall this morning I asked about the
12 financial performance of the domestic industry in 2006
13 and 2007. And there was some discussion about when
14 the demand drivers associated with the Great Recession
15 started to head sharply downward. I'd like to get
16 this panel's responses to that. In your view, when
17 did that process really take on a head of steam.

18 MR. GREENWALD: I think it's 2008, actually.
19 You can look at your own table. I think it's Table
20 1-1 where you have apparent domestic consumption and
21 so you see the size of the U.S. market. It's public.
22 You can read it out.

23 MR. MCLAIN: This is Pat McCain. You see a
24 high of U.S. consumption of roughly over 5 million in
25 2005 and dropping thereafter, very slightly only in

1 2006 by about 400,000 to 2007, by another 500,000 in
2 2008 and then to 3.34 billion in 2009.

3 MR. GREENWALD: I apologize for not having
4 my glasses with me. The point I think is that the
5 major drop you see -- there's virtually no change
6 between 2005, 2006. If you listen to Petitioners'
7 testimony, what they say is the bottom dropped out in
8 2007. The Great Recession in housing hit late 2006 I
9 think was the testimony. The data don't show that.
10 What the data show is a drop between 2006 and 2007 of
11 roughly 340 million I think, roughly. And then it
12 dropped 560 million between 2007/2008.

13 COMMISSIONER PINKERT: And I take it for
14 purposes of your answer to this question you're
15 treating apparent consumption as a proxy for demand
16 drivers within the industry. Perhaps for post-hearing
17 you could explore whether there's some better way of
18 doing the estimates of demand than simply looking to
19 apparent consumption for this industry.

20 MR. MCLAIN: Fair point.

21 COMMISSIONER PINKERT: Thank you. And with
22 that I have no further questions for the panel. I
23 appreciate the testimony. I look forward to the
24 additional information.

25 CHAIRMAN OKUN: I just have two questions

1 left for this panel. Ms. Thompson, I did want ask. I
2 mean I think your testimony was straightforward on
3 your experience. But did you look to non-subject
4 countries to serve your niche needs that you
5 described?

6 MS. THOMPSON: Well, we had started. Our
7 factory made an investment prior to the investigation,
8 so the money was invested. The work was done. So it
9 was too late.

10 CHAIRMAN OKUN: Okay. I just wanted to make
11 sure I understood that.

12 And then just the last question really it's
13 going to be post-hearing. And that is to make sure,
14 counsel, that you brief the related party provision in
15 terms of whether appropriate circumstances existed
16 with any of the domestic producers.

17 With that, I don't have any further
18 questions. I want to thank this panel very much. And
19 let me see if my other colleagues have questions.
20 Commissioner Lane?

21 (No response.)

22 CHAIRMAN OKUN: Commissioner Pearson?

23 COMMISSIONER PEARSON: Madame Chairman, just
24 a follow-up on the question you just raised about
25 related parties.

1 I understood Mr. Silverman in his opening
2 comments to suggest or to be implying that we should
3 exclude Petitioners as related parties and I haven't
4 heard any follow up on that. So either now or in the
5 post hearing could you address that issue more
6 precisely? Thank you.

7 MR. SILVERMAN: We'll be glad to give you
8 the full analysis. The basic proposition is once
9 someone is an importer, directly or indirectly, then
10 the question is what are the appropriate
11 circumstances? The term 'appropriate circumstances'
12 is quite flexible and quite broad. And in this case
13 we have a very unusual set of circumstances. And I
14 think the Commission needs to look at that.

15 This all goes back to the word that I
16 mentioned with Commissioner Pinkert. It's a racket.
17 And you can stop the racket by saying if you want to
18 make more money with your shakedown than you make
19 manufacturing, it sure looks like you fit the related
20 party provision. And we'll elaborate on that. It's a
21 unique situation and they walked into it by taking the
22 money.

23 COMMISSIONER PEARSON: Okay. Thank you. I
24 will enjoy the opportunity to look at the record with
25 party that you feel are related taken out to be

1 interesting. And Chairman, I have no further
2 questions. I would like to thank this pane for its
3 participation.

4 CHAIRMAN OKUN: There are no other questions
5 from my colleagues. I'm going to turn to staff to see
6 if staff has questions of this panel.

7 MR. DEYMAN: I'm George Deyman, Office of
8 Investigation. The staff has no questions.

9 CHAIRMAN OKUN: Do those in support of the
10 order have questions for this panel?

11 MR. DORN: No questions, Madame Chairman.

12 CHAIRMAN OKUN: All right. Before we turn
13 to our closing and rebuttal, let me take this
14 opportunity to thank all these witnesses for your
15 testimony, for answering our questions, and sticking
16 it out for a long afternoon.

17 We will just take a couple of moments to let
18 this panel go back. And I will review the time
19 allocations. The Petitioners have a total of 7
20 minutes. That's five for the closing and two from
21 direct. The Respondents have a total of 11 minutes
22 remaining, five for closing and six for direct. And
23 if there's no objection, we will follow our normal
24 course of having you combine your direct and rebuttal
25 at the same time. Thank you. We'll take a couple

1 minutes now to change places.

2 (Whereupon, a short recess was taken.)

3 CHAIRMAN OKUN: Mr. Dorn?

4 MR. DORN: Yes, Madame Chairman.

5 We do have agreement on a couple of points
6 today. First, I think Mr. Greenwald would recognize
7 this is a vulnerable industry. I don't think anybody
8 would challenge that. There was also agreement from
9 Mr. Greenwald there is no benefit test in the statute
10 for sunset reviews, as Commissioner Okun had pointed
11 out and as this Commission has held in prior cases. A
12 lot of the other side's case is built upon
13 ineffectiveness of the order, but they don't cite a
14 single precedent in their briefs that would support
15 that as a reason to revoke the order.

16 So the key issue in this sunset review like
17 virtually every sunset review is what's going to
18 happen to the subject imports upon revocation? Are
19 they going to be significant? And also, would they
20 have more than a minimal or tangential effect on the
21 domestic industry? And you have an extremely rich
22 record in this case in terms of the questionnaire
23 responses.

24 In your confidential record, you have
25 information from U.S. importers as to what their

1 intentions are if the order is revoked. You have the
2 admissions of U.S. purchasers regarding what their
3 intentions are if the order is revoked. You even have
4 admissions from Chinese producers in terms of what
5 their intentions are if the order is revoked.

6 And coming here today we presented seven
7 witnesses with personal knowledge of the U.S.
8 industry. On the other side, we had one retailer and
9 we had one Chinese foreign producer. And I would ask
10 you to look at their testimony in contrast with the
11 confidential record in terms of what all the
12 purchasers said and what all the foreign producers
13 said with respect to what would happen if the order is
14 revoked.

15 Now Mr. Keith Koenig did make some telling
16 statements. He admitted that if the order is revoked
17 there's going to be migration of sourcing from Vietnam
18 to China. He said China will regain market share.
19 Mr. Koenig said China can compete with Vietnam on
20 price. He's their only person testifying that has any
21 personal knowledge about the market. Most of what you
22 heard today was argument of counsel.

23 Now remember those admissions by Mr. Koenig
24 as you evaluate the record. Now Mr. Koenig did talk
25 about Ashley and Standard being successful companies.

1 But what he didn't indicate is that Ashley and
2 Standard only produce print furniture in the United
3 States and they are big importers of solids and
4 veneers.

5 You know I've done a lot of these cases. I
6 will tell you that no industry has tried to enforce an
7 order more vigorously than this industry. We've heard
8 all these accusations that we don't care about this
9 order. We haven't tried to enforce it. And that's
10 just wrong.

11 If you look at the information in our
12 slides, for example, slide 16 shows that from a 7
13 percent duty in the original investigation we got that
14 up with hard fought administrative reviews and lots of
15 appeals to 36 percent, 32 percent, 30 percent and 43
16 percent. And we didn't shield a whole bunch of
17 foreign producers. We went after the ones we thought
18 were the most egregious dumpers.

19 And if you look at slide 17, the number of
20 Chinese respondents with rates greater than 7 percent,
21 we had 3 in the original investigation, 50 after the
22 first review, 69 after the second review, 79 after the
23 third review, and 91 after the fourth review. That's
24 aggressive enforcement. Cash deposit rates of the PRC
25 entity also went up. And this did have a major trade

1 impact.

2 If you look at slide 14, there was an impact
3 with the filing of the petition. There was a big
4 moderation in imports from China and then a sharp
5 drop. They ignore the fact that in February of 2007
6 the Commerce Department announced the preliminary
7 results in the first review of 63 percent. That was a
8 market signal.

9 Anyone who was paying attention who was
10 importing would say, oops, I may have a problem here.
11 I may want to cut back on my imports from China. And
12 that's exactly what happened. So to suggest there
13 wasn't a tremendous trade impact on this case is just
14 dead wrong.

15 Now George Tsai made some interesting
16 observations regarding the Chinese industry. In
17 particular, that it is automating to increase labor
18 productivity. He was very straightforward about that,
19 robotics, even computerized carvers. So this idea
20 that the Chinese are going to become uncompetitive
21 because labor rates are going up makes no sense. The
22 Chinese are investing to increase their labor
23 productivity. And they have got huge plants.

24 Mr. Tsai talked about plants in Vietnam with
25 120 finishing lines. If you look at our slide on the

1 Dalian Huageng plant, that single plant in China has
2 30 finishing lines, one plant. One fourth of the
3 total finishing lines in Vietnam.

4 Mr. Tsai also indicated that the recession
5 has made this product more price sensitive. Now if
6 you look at FRA's slides in their trends analysis, the
7 amazing thing there is they pretend there was no
8 change in demand. They track these trends, but
9 totally ignore the fact that we had a \$1.7 billion
10 drop in consumption, a 33 percent drop in consumption.
11 So their trend analysis is not something this
12 Commission would follow because you would look at the
13 trends based on the context of the business cycle.

14 In terms of the benefit, we know that this
15 Commission has said that you don't have to show that
16 the order has been effective. That was your statement
17 in Crawfish Tail Meat from China. Even in this case
18 in the original investigation, you noted that 'Nothing
19 in the statute or case law requires or allows us to
20 consider the likely effectiveness of a dumping order
21 in making our injury determination.'

22 But this order has been effective in terms
23 of improving the state of the industry prior to the
24 recession and in stabilizing market shares in 2007,
25 2008, and 2009. Thank you very much.

1 CHAIRMAN OKUN: Thank you.

2 MR. GREENWALD: Madame, may I begin? I was
3 back talking to Bill Silverman, who wants me to pack
4 more emotion into this closing than I think I am
5 capable of doing right now.

6 What I'd like to do is talk to you sort of
7 quietly, if you will, for apparently five or so
8 minutes about what has gone on, about the record.

9 And I want to begin by telling you the only
10 real concern I have about this case has nothing to do
11 with the factual record. It has to do with the
12 climate in which this case is coming up and to urge
13 you to know that I understand, and I think everybody
14 here understands the difficulty in representing a
15 Chinese industry at this time.

16 I urge you for a minute to put aside the
17 fact that China transgressions in the area of
18 international trade may be significant and instead
19 focus on the record that we have here. It is bad
20 policy to reach affirmative decisions to continue an
21 anti-dumping order that has had and will have no
22 salutatory affect simple because, one, the time isn't
23 right for anybody to do anything that might be viewed
24 well in China on trade.

25 And second, because you have a group of

1 domestic producers that appear before you in force.
2 And it is true there are many more of them than there
3 are of us. And they tell you that revocation of the
4 order would lead to all sorts of difficulties for
5 them, but without being able to point to a single, and
6 I mean this exactly the way I'm saying it, a single
7 piece of hard evidence in the record, quantitative
8 evidence, not statements that people write in
9 questionnaire responses. Quantitative evidence to
10 show that revocation of this order would have any
11 impact at all on their operations.

12 Joe Dorn was right when he said that we are
13 not saying that you have to look at the benefit of an
14 order when you're deciding whether or not you should
15 issue one. On the other hand, in sunset review I
16 think it is equally true that if you're trying to
17 project what is going to happen if an order is revoked
18 or continued, you have to ask yourself what happened
19 over the past six years? What was the effect?

20 And the effect here is that this order has
21 had no material impact on any domestic performance
22 characteristic, whether it's production, whether it is
23 employment, whether it's sales, whether it is
24 profitability.

25 There is a core issue, not so much of is the

1 industry doing well or not because it's clearly not,
2 but of causation. And there is, I submit to you, no
3 evidence of a causal link between the order and the
4 condition of the domestic industry. In fact, the
5 order has been utterly irrelevant to the performance
6 of the domestic industry.

7 Indeed, I would tell you from what I've seen
8 of the numbers, and I have looked at Stanley Furniture
9 financials, that if the order was the reason Stanley
10 Furniture decided to hang on, doing what it was doing
11 until eventually this past year it decided to follow a
12 blended production strategy, then the order did a
13 great disservice to Stanley Furniture's shareholder.
14 It was a bad decision. It was a business model that
15 tried to buck the fundamental economics that drive
16 this business. And it was, if you look at Stanley's
17 financial performance, disastrous.

18 In his closing statement, Joe Dorn comes
19 before you and says what do you mean? How can these
20 people say that the order has had no effect? Did
21 Mr. Koenig admit that, or if not Mr. Koenig then one
22 of our other witnesses, that China might regain market
23 share if the order were revoked? Only to the extent
24 that it is regaining market share lost to Vietnam or
25 Indonesia or Malaysia. Nobody said anything about

1 regaining market share from domestic production.

2 It is also true that some of the testimony
3 we gave, which is that China can compete in various
4 segments where they have an advantage against Vietnam.
5 And if they order were removed it is undeniably true
6 that some purchasers would look to Chinese supply.
7 But again, not as an alternative to domestic
8 production, but rather as an alternative to third
9 country supply.

10 During Petitioners testimony, one of the
11 things that occurred to me that would be very
12 interesting, and we may try to do it. But then again,
13 you might ask let's say a Stanley Furniture to do it.
14 Stanley decided to close its Stanley Town facility
15 that as I heard the testimony produced four lines of
16 furniture. You have how Stanley did in its bedroom
17 furniture operations. It's confidential, but as part
18 of the domestic industry's response.

19 The question that ought to interest you is,
20 is there any material difference between how Stanley
21 did on bedroom furniture compared to how it did on
22 dining room furniture or whatever the other businesses
23 it was operating out of its Stanley Town facility?
24 Because if the data do not show that Stanley did
25 materially better on its furniture operation, it is

1 impossible to attribute any beneficial impact of this
2 order to the performance of the wood bedroom furniture
3 industry in the United States, at least insofar as
4 Stanley is concerned.

5 Several of the other companies that came up
6 before you do multiple product lines. The data are
7 not in the record, but I would like to know for
8 anybody that is producing dining room let's say at the
9 top end as some of the witnesses were, did they do
10 better on their bedroom furniture operations? And if
11 not, what possible use is the order? Why wasn't the
12 order utterly irrelevant to the operations as we say
13 it is?

14 My fear, as I said, is we are starting with
15 two strikes against us because we are representing the
16 Chinese industry and in these times it's not an easy
17 sell. But on the facts, the only conclusion that you
18 can reasonably reach is that at most what this order
19 has done has affecting the sourcing of foreign supply,
20 had no impact whatsoever on the domestic operations of
21 the domestic industry. And if revoked, would not lead
22 to a recurrence of material injury.

23 The burden to show the evidence of a
24 recurrence is not on us. The purpose of the sunset
25 review is to sunset an order unless it can be shown

1 that the probability is of a recurrence of injury.
2 And while I hear all the statements I'm missing any
3 facts advanced by Petitioner to make that case.
4 Opinion, conjecture, supposition, assertion about
5 what's going to happen is no substitute for facts of
6 the record. And fear, the facts on the record are
7 missing. Thank you.

8 CHAIRMAN OKUN: Thank you. Post-hearing
9 briefs, statements and responses to questions and
10 requests of the Commission, corrections to the
11 transcript must be filed by October 15, 2010. Closing
12 of the record and final release of data to parties is
13 November 10, 2010. And final comments are due
14 November 16, 2010.

15 If there's no other business to come before
16 the Commission, this hearing is adjourned.

17 (Whereupon, at 5:25 p.m., the hearing in the
18 above-entitled matter was adjourned.)

19 //

20 //

21 //

22 //

23 //

24 //

25 //

CERTIFICATION OF TRANSCRIPTION**TITLE:** Wooden Bedroom Furniture from China**INVESTIGATION NOS.:** 731-TA-1058**HEARING DATE:** October 5, 2010**LOCATION:** Washington, D.C.**NATURE OF HEARING:** Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: October 5, 2010

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Rebecca McCrary
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Christina Chesley
Signature of Court Reporter