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Why Antidumping Duties On Chinese Furniture Don't Save U.S. Jobs

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The *Washington Post* ran a [story](#) in yesterday's print edition about the U.S. antidumping order against Wooden Bedroom Furniture from China—a case I described seven years ago as the “[Poster Child for \[Antidumping\] Reform](#)” because its sordid details explode the myths upon which rest the rationalizations for the law's existence.

Those details are nowhere to be found in the *WP* article, which was published, presumably, to make a few other points. One such point—the only one with which I agree—is that antidumping duties aren't very effective at restoring or preserving U.S. jobs. As the article demonstrates, since the imposition of AD duties on Chinese furniture beginning in 2005, imports from Vietnam, Indonesia, and other countries not subject to the AD restrictions have emerged to fill the vacuum created by declining imports from China. Not much news in that, though. This kind of trade diversion is a typical consequence of antidumping restrictions. Likewise, furniture production and the jobs it used to support has not undergone a renaissance in the United States – despite that being the rallying cry of the domestic producers who brought the case in 2004. (More on that in a moment.)

But the article—beginning with its title (“Chinese Make a Run Around U.S. Tariffs”)—leads readers to the faulty conclusion that those cunning Chinese are at it again, looking for ways to prosper at the expense of innocent, upstanding U.S. producers and their workers. A pretty good tip-off that an article about China and trade is going to miss the mark, mislead, and misinform is when the author describes trade as a contest between two countries with the trade account characterized as a scoreboard.

“ The United States and China have exchanged accusations of dumping for years and imposed tit-for-tat duties. All along, though, China has generally come out on top: Its trade surplus with the United States rose to \$273 billion in 2010...more than three times the level of a decade earlier.

Is the reader to conclude, then, that more antidumping measures against Chinese products are integral to reducing the trade deficit and, ultimately, “com[ing] out on top”? That conclusion doesn't really dovetail with the point about how antidumping does nothing to restore U.S. production. But I

digress.

The main problem with the article is that it escorts readers to the incorrect conclusion that it was Chinese furniture producers who initiated efforts to get around the U.S. antidumping duties. Implied throughout the article is that a man named Lawrence Yen, president of a Chinese furniture company, was the architect of some crafty plan to avoid U.S. duties. It reports that during a meeting of Chinese furniture makers in Dongguan: “[Yen] told them [he] would set up a factory in Vietnam,” which was presented in the article as though it were the idea’s genesis. The caption to the inset chart of furniture imports in the article reads:

“ To avoid a 2005 U.S. tariff on Chinese-made wooden bedroom furniture, Chinese furniture companies moved operations to other Asian countries, thwarting U.S. efforts to curb “dumping,” the export of goods at unfairly low prices.

This presentation of events may serve the clichéd theme that Americans are in a pitched battle with the Chinese, who are willing to stretch and break the rules to “win,” but it fails to give readers critical parts of the story. The fact is that this strategic tariff aversion plan, which is as legal and common as off-the-shelf tax minimization software at Best Buy, was the brainchild of the U.S. domestic furniture industry *before it filed the case in 2004*.

Here’s where my 2004 paper would be useful to readers interested in a fuller accounting of the details:

“ The case of *Wooden Bedroom Furniture from China* has nothing to do with unfair trade and is a perfect example of the need for antidumping reform. The filing of this case was a tactical maneuver by one group of domestic producers that seeks to exploit the gaping loopholes of the antidumping law to get a leg up on its domestic competition. Domestic producers realize that the only way to compete and offer their customers variety is to source at least some production from abroad. Instead of preserving or returning domestic jobs (which is the public justification for the petition) import restrictions will cause a shift in sourcing from China to places like the Philippines, Indonesia, Brazil, and Vietnam—places from which many of the petitioners have begun or are poised to begin importing themselves.

At the time this case was initiated, the same U.S. furniture producers who were petitioning for relief from imports from China were investing in furniture operations in other countries. There’s nothing illegal or objectionable about investing in foreign production, but the assertions of the petitioning U.S. producers that their aim was to restore U.S. production and U.S. jobs were clearly false. It is testament to the laughably modest standards for finding a domestic industry injured by reason of dumped imports that duties were ever imposed in the furniture case. Consider this:

“ The petitioners’ argument that the U.S. furniture industry is being hurt by Chinese imports is similarly suspect. In the 1990s, U.S. producers began to supplement their domestic production with furniture made in China. The import surge from China did not begin until years after U.S. producers began to cultivate the Chinese industry.

Consider the experience of Vaughan-Bassett Furniture Company, one of the largest U.S. producers and a petitioner in this case. In the late 1990s Vaughan-Bassett invited one of the largest Chinese producers, Lacquer Craft, to its factory to videotape production of bedroom furniture so that it could produce bedroom furniture in China for Vaughan-Bassett to import and resell. According to testimony before the ITC, U.S. producers turned to China to “supplement their product line because they had ideas, they had designs, they were the professionals in our industry, and they knew after traveling to China and seeing the infrastructure there that they could make certain bedrooms in China, bring it here, mark it up 30 to 40 percent to a retailer and still sell it for less than they could have made it for.”

Some producers invested directly in Chinese manufacturing facilities, while others simply imported from unrelated Chinese producers. U.S. retailers soon caught on, recognizing the many benefits of purchasing from China. They could cut out the middlemen (U.S.

producers) who were simply importing, marking up, and profiting; they could produce a greater variety of designs (including hand carvings and inlays) that are cost-prohibitive in the United States; they could respond to high levels of defects in U.S. production by switching to alternatives; and they could have custom designs mass-produced and labeled under their own brand names.

While imports of wooden bedroom furniture from China have increased considerably over the past few years, domestic producers (including many of the companies that brought or at least supported the antidumping petition) have played a major role in that increase. In 2000, 6 percent of domestic producers' U.S. shipments were sourced from China. By 2002, that figure increased to 19.6 percent, and through the first half of 2003, that figure stood at 26.6 percent.

According to the ITC's own preliminary report in this case:

As an initial matter, we note that the record indicates it has become common practice for members of the domestic industry to import the subject merchandise from China as a means of supplementing their domestic production in the market place. For example, the record shows that 20 of the 40 responding domestic producers imported Chinese merchandise during the period and that the 12 largest domestic producers of wooden bedroom furniture all imported reasonably substantial and increasing volumes of merchandise from China during the period of investigation. In fact, the *** companies within the petitioning group all have imported increasing volumes of subject merchandise from China during the period of investigation.

The essence of this case, then, is well summarized by representatives of Furniture Brands International, Inc., the largest U.S. producer and an opponent of the petition. This case boils down to "a request by domestic producers who are significant importers of the subject merchandise to impose duties on imports that they have voluntarily made on the ground that their very own actions have caused them injury."

Are petitioners really calling on the federal government to stop them before they import again? The actual story looks more complicated. Evidence presented during the ITC proceeding indicates that certain petitioners have begun or are poised to begin importing from alternate sources should antidumping duties be imposed on Chinese furniture.

The ITC preliminary report confirms this trend is likely underway:

U.S. imports of wooden bedroom furniture from Indonesia, Brazil, Malaysia, and Thailand, the fifth, sixth, eighth, and tenth respective largest foreign country suppliers of wooden bedroom furniture to the United States, increased by a total of \$100.4 million during 2000-02 and by another \$26.7 million in January-June 2003 from the same period in 2002. Although still a small supplier of wooden bedroom furniture to the U.S. market, U.S. imports of these products from Vietnam increased by a total of \$8.5 million during 2000-02 and by another \$11.6 million in January-June 2003 from the same period in 2002.

A brief submitted to the ITC by the Furniture Retailers Group indicated that petitioners "have been busy helping to set up operations in numerous third countries, such as Indonesia and Vietnam, where costs are lower than in China. In fact, this week representatives of Vaughan-Bassett are in Vietnam meeting with Vietnamese furniture companies."

The brief went on to question why the petition named only China and not any of the other low-price third-countries since source-shifting is a common response to country-specific antidumping duties. The answer, of course, was implied.

Although the antidumping law is hailed by its supporters as a tool to ensure "fair trade" and to "level the playing field" and to protect American firms and workers from "ill-intentioned foreigners," the fact is that the law is frequently used by U.S. companies seeking advantage over other U.S. companies, with hapless consumers and consuming-industries the collateral damage.

But when media give scant and selective coverage to the topic, they are abetting the status quo, which depends on the continued inscrutibility of the operation of this costly canard.

This article is available online at:

<http://www.forbes.com/sites/beltway/2011/05/25/why-antidumping-duties-on-chinese-furniture-dont-save-u-s-jobs/>