

Feasibility analysis on a potential anti-dumping complaint against imports of mattresses from China into the EU

Final report

January 2025

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Executive summary

The present feasibility analysis was commissioned by the European Bedding Industries' Association (**EBIA**) and by the European Association of Flexible Polyurethane Foam Blocks Manufacturers (**Europur**), on behalf of some of their members, to explore the feasibility of an anti-dumping complaint against low-priced mattress imports from China. This, in the context of strong price pressure in the EU mattresses market stemming from increasing volumes of mattresses arriving notably from China at extremely low prices.

The objective of this study is therefore to determine whether the current situation meets the criteria necessary for lodging an anti-dumping complaint with the Directorate General for Trade (**DG Trade**) of the EU Commission and has, therefore, good chances to be remedied by means of the imposition of anti-dumping duties.

Product Scope: a potential complaint is likely to cover all types of youth and adult mattresses, including innerspring, non-innerspring, and hybrid mattresses. The EU mattress market is, however, highly fragmented and segmented into different materials and branded vs. private-label mattresses. Although injury is primarily observed in the private-label segment, the scope should ideally include all mattresses to avoid criticism about an overly narrow scope and to prevent circumvention practices. The final scope will be determined at the complaint preparation stage and based on discussions with the EU Commission to ensure it aligns with legal requirements and market conditions.

Standing: participating companies that provided injury mini-questionnaire data represent around 18-20% of the total EU mattress production turnover. The current traction is promising, and we are confident that the information and analysis collected in this analysis provide a strong foundation to engage with additional industry players to meet the 25% threshold required for lodging a complaint. One major EU participating company has yet to submit data, which will increase the standing percentage by a few percentage points.

Dumping: statistical analysis demonstrates a significant increase in Chinese imports of mattresses in the last years, particularly in spring interior and cellular plastics mattresses, with a 137% and 56% increase respectively from 2020 to the investigation period (**IP**). In terms of pricing, Chinese imports prices are significantly dropping from 2021 to the IP. This analysis has also revealed evidence on the presence of significant market distortions in China's mattress market, including State subsidies and government intervention in key raw materials like polyurethane and steel used for spring mattresses. The analysis on dumping revealed that Turkey also shows indications of dumping, with lower volumes but significant price pressure. While Turkish imports might need to be included in the investigation, this will be determined during further analysis in the complaint preparation phase.

Injury Analysis: it was evidenced that a strong decline in production and sales volumes for various participating companies took place during the period considered (2021-IP), coinciding with a surge in Chinese imports. However, reported profitability levels remains relatively stable and positive, suggesting the need for further clarification on idle costs and their impact on profit margins to verify that the data was collected in the same manner that the EU Commission requests it. It seems likely, based on our cross-analysis of various indicators (notably the significant sales decrease), that the current profit figures

do not fully account for idle costs. Therefore, profit margins are likely to be lower than that reported by some major participating companies.

To account for the different scenarios and company experiences with regards to increasing Chinese competition, we characterized three different categories observed within the injury analysis:

- **Category A:** Companies sheltered by long-term contracts with large retailers, having decided – at least for now – not to rely on Chinese supply for supply chain stability purposes, not reflecting an injurious situation.
- **Category B:** Companies with a mix of sales to large retailers and other customers, experiencing significant reductions in production and sales volumes.
- **Category C:** Companies focusing on online sales and not selling exclusively to major retailers, suffering the clearest production and sales volume reduction.

Further data collection for Q3 and Q4 2024 will be essential to refine this analysis and confirm the injury picture, notably in view of the apparent stable profit levels (which, again, need to be reviewed in light of idle costs for underutilization that we believe have not been fully reported by some of the major participating companies).

Union Interest: the imposition of anti-dumping duties is very likely to be challenged by a number of EU importers and retailers purchasing imported Chinese mattresses in the EU. At complaint preparation stage, it would be necessary to arguments emphasizing on the importance of protecting EU production of mattresses and the jobs linked to it. In our experience, the EU Commission is likely to prioritize evidence of dumping and injury over opposition from interested parties, making Union interest less of a concern. In this sense, although strong criticism from importers and retailers cannot be excluded, their arguments are unlikely to block anti-dumping measures if dumping, injury, and a causal link are established.

Conclusion & Next steps

The feasibility analysis indicates potential for an anti-dumping complaint, but further data collection and clarification on profitability are essential to have a full confirmation. Particularly, trends in Q3 and Q4 2024 data will be crucial in determining the viability of a formal complaint.

Confirming whether all costs – including those relating to underutilized capacities and consequent increase of unitary fixed costs (idle costs) resulting from sales volume losses – have been properly reported by all companies (we do not believe this is the case) will also be essential for having a clear picture of the recent performance of the EU industry.

This feasibility analysis already provides good traction to engage with other industry players and build a stronger case. With the cooperation of EBIA, Europur, and all participating companies, we have constructed a strongly conclusive analysis and are now in a position to have good chances to meet the necessary threshold, especially considering one very large EU producer that is financially contributing to the analysis will still provide its data, which should immediately further increase the representativity percentage of the participating companies, and that the idea would be that additional EU producers join.

1. Background

As initially agreed with the participating companies, this feasibility analysis covers the following main aspects:

- Definition of the product concerned
- Standing of the participating companies to represent the EU mattresses industry in a potential anti-dumping investigation
- Preliminary assessment of dumping: statistical analysis and presence of significant distortions in China
- Injury to the EU mattresses industry *caused* by dumped imports

1.1. Methodology

The feasibility analysis was conducted on the basis of **(i)** data and information directly supplied by some members of EBIA and Europur that decided to participate in this study (**participating companies**), EBIA and Europur; and **(ii)** independent research and data extraction from publicly available sources by DLA Piper.

For the collection of data from the participating companies, DLA Piper circulated an “injury mini-questionnaire” that 7 participating companies filled in with their relevant economic data (*i.e.*, production, sales EU and exports, cost of production, stocks and investments). For some companies, the information provided to DLA Piper pertained to various production plants within the same company. This data was sometimes presented on a consolidated basis and, in other cases, on a plant-by-plant basis. This allowed DLA Piper to collect and examine data relating to production in different EU countries, *e.g.* Denmark, France, Germany, Italy, Poland and Sweden.

During the data collection process, DLA Piper held individual meetings with EBIA, Europur and 13 different companies - including those that ultimately supplied data but also those for whom data was not collected because of their size, market segment or because they did not produce mattresses in the EU directly. Indeed, DLA Piper did not only meet with EU producers but was also put in contact with companies supplying inputs/materials to mattresses producers, whose perspective on the market was most useful.

These meetings were paramount to understand the industry's dynamics and determine where the injury is focused. As will be explained in Section 5 in details, it was not possible to aggregate the companies' figures as each was reported differently and making an aggregation would not have been useful and would have shown a wrong picture. We understand the work and effort that companies have put into these questionnaires, so at feasibility stage we decided to base our conclusions on the basis of the trends observed in the figures and not in specific aggregated data. It remains that our conclusions on injury are based on evidence received from companies which remains fully confidential.

In addition, during various individual meetings with the participating companies, DLA Piper gathered the necessary input to understand the product concerned: by size, by material, by quality range, etc. These conversations were most useful to understand the different segments of the market, but also the dynamics of the EU market and the companies/specific segments suffering the most injury from Chinese imports. These meetings were therefore a strong source of information for the results presented in this report.

With regards to the independent research conducted by DLA Piper, it aimed to allow us to gain a comprehensive understanding of the EU market and the product concerned, including its technical characteristics and various types, as well as insights into the Chinese market and imports of the product into the EU.

To achieve this, DLA Piper gathered and analysed relevant import statistics publicly available from Eurostat, focusing on the following CN codes: 9404 21 10, 9404 21 90, 9404 29 10, 9404 29 90. Additionally, substantial research was conducted into the presence of significant distortions within the Chinese mattress industry and its upstream sectors. This research allowed us to substantiate the use of the EU Commission's so-called "significant distortions methodology" in a potential anti-dumping case. This methodology, which is typically applied in cases involving Chinese imports, often results in high dumping margins and the subsequent imposition of substantial anti-dumping duties on imports from China into the EU, which in past cases has often reached levels of 40-70% in additional duties levied at EU borders once the products are imported.

2. Definition of the product concerned

Our conversations with EBIA, Europur and different participating companies evidenced that the EU mattresses market features a wide variety of companies of different sizes. In addition of being highly fragmented in terms of very large number of producers, the EU mattress industry is also strongly segmented into different materials (e.g., inner-spring, cellular plastics, rubber, hybrid) and, importantly, into branded and private-label mattresses.

EU producers consulted also pointed out to the fact that it is mainly the EU private-label segment of mattresses production that is being most affected by Chinese imports. The branded, high-end, segment of the market would be largely sheltered from injury caused by Chinese imports at present due to the higher quality and prices of branded mattresses and the consumers' recognition of certain EU brands. Given the high heterogeneity of this market, our main challenge was identifying the specific segments where EU producers are most impacted by Chinese imports. Additionally, we need to explore legal arguments to assess the feasibility of filing an anti-dumping complaint that targets all mattresses – regardless of size, material or brand/private-label – while potentially showing significantly less injury for one large segment (*i.e.*, the branded mattresses segment).

To clarify, the challenge surrounding product definition in the context of an anti-dumping case arises because complainants are not entirely free to choose the product to be covered by the investigation. When assessing the admissibility of a complaint, the EU Commission examines several factors related to the product definition, including:

The definition must be objective: it must be based on clear, physical, and technical characteristics of the product.

The definition must not be arbitrary: the scope cannot be defined in a way that artificially excludes products that are similar or would reasonably fall under the same product category.

Given this, justifying a narrow product definition for a potential complaint focused exclusively on private-label mattresses, and the branded segment, would be challenging. This is mainly because there is no clear, objective distinction between branded and private-label mattresses. Both categories are

essentially mattresses, sharing the same physical, chemical and technical characteristics, and well as similar uses, regardless of variations in materials and quality.

Moreover, a product scope that is too narrow can be criticized for several reasons, including the artificial segmentation of the market and exclusion of close substitutes. A narrow focus may overlook products that share key characteristics with the product under investigation, leading to biased or incomplete assessments of the actual impact of the dumped imports on the EU market.

From a legal perspective, anti-dumping investigations are generally expected to consider the full range of relevant products, especially those that compete in the same market. A narrow scope (e.g., focusing on a specific segment like private-label mattresses), would need to be supported by a clear argument that the excluded products (e.g., branded mattresses) do not significantly compete with the product under investigation. This could be based on factors such as differences in quality, price sensitivity, or other relevant market distinctions.

However, the risk of a too-narrow definition is that it might be challenged by the investigating authorities (e.g., the EU Commission or WTO), who may argue that such a definition artificially isolates the product from others that could have a significant impact on the EU injury and the Chinese dumping analysis. This could lead to difficulties in demonstrating the true extent of injury caused by the imports, as the scope of the product might not adequately reflect competitive dynamics in the market.

In summary, while a narrow product definition is not inherently a problem, it needs to be carefully justified to ensure it aligns with the legal requirements and reflects the actual market conditions. The key is whether the defined product truly represents the market segment that is experiencing the injury caused by dumped imports.

While we have identified that the injury is currently concentrated in the private-label mattress segment, we understand that the product definition for the feasibility analysis and any potential formal anti-dumping complaint should ideally include all mattresses, regardless of whether they belong to the branded or private-label segment. This is because there is a risk that Chinese imports could blur the lines between branded and private-label mattresses, with manufacturers potentially rebranding private-label products as branded ones to circumvent anti-dumping measures. Separating these categories objectively is not only challenging for certain EU companies but also complicates import controls and enforcement.

Given this, we recognize that, while the injury is primarily focused on private-label mattresses, the investigation would ideally need to cover the full range of mattresses, using a segmentation approach similar to those accepted in past EU cases. This would allow for a comprehensive analysis of the market, while addressing the concentrated injury in the private-label segment. The evolving nature of the market, including potential rebranding practices, underscores the importance of well defining the product scope. We would need to explore this issue further with the EU Commission once a complaint is being prepared to obtain a final determination on the appropriate product scope.

At this stage, we therefore see the scope to be covered by the feasibility analysis, as follows (considering we are targeting both branded and private-label mattresses, the details of the definition is largely inspired by those used in the past anti-subsidy and anti-dumping cases in the U.S). However, it is important to note that this scope shall not be seen as final and would need to be discussed and confirmed with the EU Commission if a formal complaint is ultimately envisaged. The final determination of the product

scope will depend on further consultations and a more in-depth analysis together with the EU Commission during the preparation of the complaint.

The feasibility analysis of a potential anti-dumping complaint against imports of mattresses from China covers all types of youth and adult mattresses. The term “mattress” denotes an assembly of materials that at a minimum includes a “core”, which provides the main support system of the mattress, and may consist of innersprings, rubber and/or cellular plastics, or any other material.

“Adult mattresses” are frequently described as “twin,” “extra-long twin,” “full,” “queen,” “king,” or “California king” mattresses. “Youth mattresses” are typically described as “crib,” “toddler,” or “youth” mattresses. All adult and youth mattresses are included regardless of size and size description

Mattresses may also contain: (1) “upholstery,” the material between the core and the top panel of the ticking on a single-sided mattress; or between the core and the top and bottom panel of the ticking on a double-sided mattress; and/or (2) “ticking,” the outermost layer of fabric or other material (e.g., vinyl) that encloses the core and any upholstery, also known as a cover.

In terms of material, the scope encompasses all types of “innerspring mattresses,” “non-innerspring mattresses,” and “hybrid mattresses.” “Innerspring mattresses” contain innersprings, a series of metal springs joined together in sizes that correspond to the dimensions of mattresses. “Non-innerspring mattresses” are those that do not contain any innerspring units. They are generally produced from foams (e.g., polyurethane, memory (viscoelastic), latex foam, gel-infused viscoelastic (gel foam), thermobonded polyester, polyethylene) or other resilient filling. “Hybrid mattresses” contain two or more support systems as the core, such as layers of both memory foam and innerspring units.

Mattresses covered by the scope may be imported independently, as part of furniture or furniture mechanisms (e.g., convertible sofa bed mattresses, sofa bed mattresses imported with sofa bed mechanisms, corner group mattresses, day-bed mattresses, roll-away bed mattresses, high risers, trundle bed mattresses, crib mattresses), or as part of a set in combination with a “mattress foundation.” “Mattress foundations” are any base or support for a mattress. Mattress foundations are commonly referred to as “foundations,” “boxsprings,” “platforms,” and/or “bases.” Bases can be static, foldable, or adjustable. Only the mattress is covered by the scope if imported as part of furniture, with furniture mechanisms, or as part of a set, in combination with a mattress foundation.

Products not falling under the scope of the feasibility analysis are: futon mattresses, inflatable mattresses, waterbeds and mattress toppers.

3. Standing

Under the EU legal framework for anti-dumping investigations, it is established that an investigation can only be initiated if (i) the EU producers expressly supporting the anti-dumping complaint account for 25% or more of the total EU production of the product concerned. Additionally, for an investigation to be initiated by the EU Commission, (ii) the complaint must not be opposed by EU companies representing 50% or more of the total production of those EU companies expressing support or opposition to the complaint.

To assess the standing of the participating companies, DLA Piper requested data on the EU's installed production capacity. The EBIA shared the 2024 CSIL report The World Mattress Industry (protected by copyright and therefore confidential).

The Commission's standing tests are typically conducted based on production volumes during the investigation period, which are crucial for determining the injury caused by dumped imports. However, the 2024 CSIL report does not provide data on total EU production in terms of volume; instead, it reports the total EU production in terms of turnover (measured in US dollars). According to this report, the total EU production in 2023 was approximately USD 5.2 billion.

Based on turnover information provided by the seven companies that shared data via a mini questionnaire, we estimate that these companies represent approximately 18-20% of the total EU turnover (and possibly EU production turnover). While the 25% threshold required by the EU Commission has not yet been met, it is important to note that one major EU producer contributing to this feasibility analysis (both financially and in terms of market information) has not yet submitted its questionnaire responses. Once this company provides its data, the standing will increase by several percentage points, bringing it closer to the 25% threshold.

The purpose of the feasibility analysis was also to build momentum, so that, based on its findings, other companies might join the initiative. This would facilitate meeting the necessary threshold if a formal complaint is eventually prepared.

Although the participating companies do not yet meet the required standing, DLA Piper concludes that this exercise has been very successful, thanks to the cooperation of EBIA, Europur, and the 7 companies (some based on information of various different EU plants) who have at this stage contributed to gathering data from a representative sample of EU producers. This foundation provides a strong basis on which to continue building, ensuring that the required threshold will likely be met without significant difficulty.

The precise determination of standing will be made during the preparation of the actual complaint, if the companies decide at a later stage to pursue this avenue, at which point all participating companies will be required to submit complete, harmonized data for final aggregation.

4. Preliminary analysis on dumping

4.1. Statistical analysis

DLA Piper conducted an in-depth statistical analysis of imports of mattresses from all countries into the EU with a specific focus on imports from China. A statistical analysis of imports from the targeted country(ies) is essential for identifying potential patterns of dumping and instances of price undercutting. Although, as detailed further below, dumping from China is not calculated based on actual Chinese export prices but rather on a reconstruction thereof, an analysis of the relevant import statistics is helpful for assessing the volume and market share of these imports, as well as their impact on domestic prices and industry performance.

Mattresses are classified under 4 relevant CN codes, which were aggregated to obtain full volumes and average prices:

- 94042110 - Mattresses of cellular rubber;
- 94042190 - Mattresses of cellular plastics;
- 94042910 - Mattresses with spring interiors; and
- 94042990 – Stuffed mattresses

The data obtained from Eurostat reveals notable trends in the imports of all four CN codes between 2020 and the IP (set between Q3 2023 and Q2 2024) originating in China. Imports from China fluctuated significantly across the period, with some materials showing consistent growth, while others experienced more volatility.

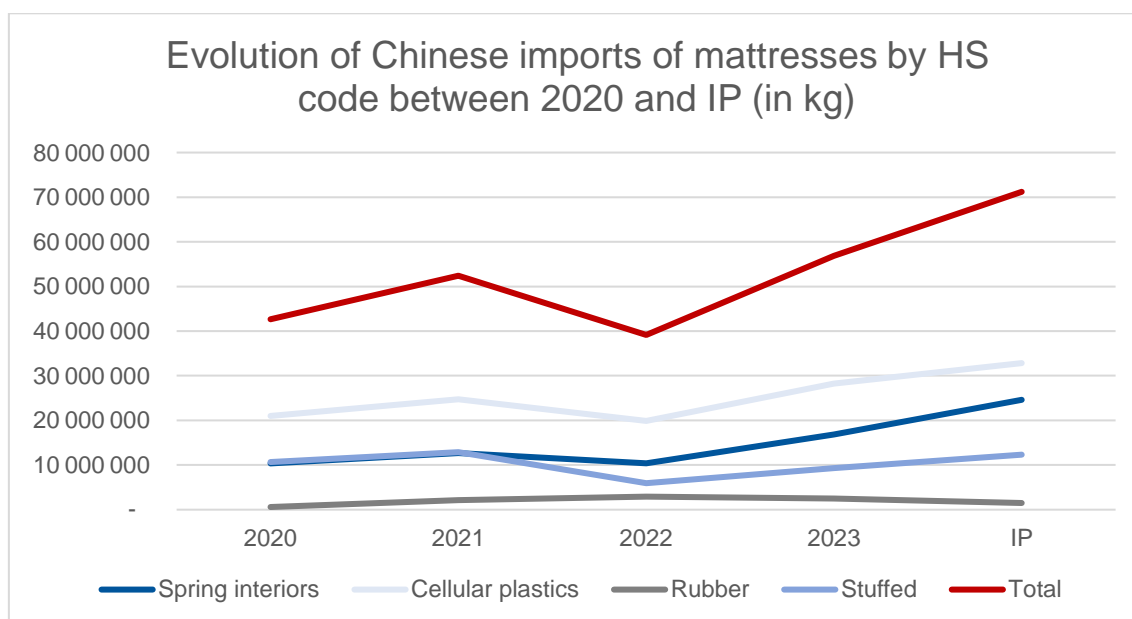
Imports of spring interior mattresses from China started at 10,362,688 kg in 2020 and exhibited a steady increase overall, despite a slight decline in 2022. After growing by 22% to 12,665,231 kg in 2021, imports dipped to 10,404,611 kg in 2022. However, they rebounded sharply in 2023, reaching 16,848,896 kg, a 62% increase compared to the previous year. This growth momentum continued into the IP, with imports soaring to 24,604,597 kg, a remarkable 137% increase compared to 2020. This makes mattresses classified under the code for spring interiors the product with the strongest growth over the full period, reflecting robust and expanding market demand in the EU.

For mattresses of cellular plastics, imports from China were consistently the largest among the four codes. Starting at 21,002,434 kg in 2020, they grew by 18% to 24,733,929 kg in 2021 before declining to 19,880,708 kg in 2022, a 20% decrease. However, imports recovered strongly in 2023, increasing by 42% to 28,223,979 kg, and further grew to 32,832,082 kg during the IP. This represents an overall increase of 56% compared to 2020, highlighting steady growth and sustained demand, despite a temporary dip in 2022.

The import trends for rubber mattresses originating in China tell a different story. Beginning at a modest 598,518 kg in 2020, imports grew significantly to 2,107,141 kg in 2021, a 252% increase, and further to 2,923,549 kg in 2022. However, the trend reversed in 2023, with imports falling to 2,519,192 kg, and declined further during the IP to 1,465,126 kg. While rubber showed the fastest initial growth, its imports decreased significantly in the latter years, culminating in an overall growth of only 145% between 2020 and the IP, driven largely by earlier gains.

Imports of stuffed mattresses exhibited substantial volatility over the period. From 10,679,587 kg in 2020, imports grew by 21% to 12,880,389 kg in 2021, before dropping sharply to 5,930,327 kg in 2022, a 54% decrease. Despite this sharp decline, imports recovered strongly in 2023, rising to 9,279,790 kg, a 56% increase, and further to 12,301,569 kg during the IP. Over the full period, imports of stuffed mattresses grew by 15%, ultimately returning to near-2021 levels.

In summary, Chinese imports of spring interiors mattresses exhibited the strongest growth between 2020 and the IP, with imports increasing by an impressive 137%, followed by cellular plastics mattresses, which grew by 56%. Rubber mattresses imports, while initially surging, ultimately experienced a decline in recent years, while stuffed mattresses showed significant fluctuations but ended with modest overall growth.



The statistical analysis above has therefore reflected that the stark increase in Chinese imports of mattresses has been concentrated in the CN code corresponding to spring interior mattresses, which is the one that has seen the strongest growth as of 2020. While the distinct import trends of the different codes do not have a direct incidence as what counts for our analysis are the aggregated imports, having a clear understanding of where the surge in imports is concentrated is useful contextual information. Further, this element can be critical at a next stage to help identify from a customs perspective how the majority of imports from China are being classified when entering the EU territory.

Furthermore, the statistical analysis of the four codes under which mattresses imports are classified had the objective of determining whether China would be the only country to target in a potential anti-dumping complaint. In this sense, DLA Piper did not only observe the evolution of import volumes from China, but it also analyzed whether there were other countries potentially dumping their products into the EU market.

This analysis quickly revealed the presence of Türkiye as a strong exporter of mattresses at low prices into the EU. Overall, while China represented around 52% of total imports into the EU during the IP, Türkiye

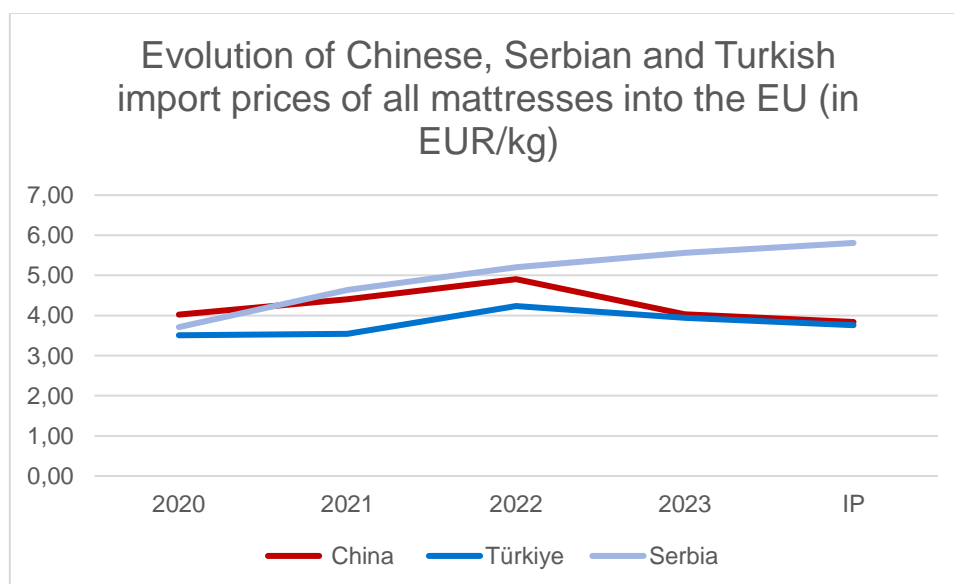
represented an important 24%. Serbia also imported significant quantities but represented only 6% of total imports into the EU during the IP.

This information therefore led us to conduct a price analysis for these countries because just like with regards to the product definition, the complainants do not enjoy full freedom with regards to the countries to target in an anti-dumping investigation. As all similar competing products must be included in the investigation, all countries potentially involved in dumping practices shall also be targeted.

In terms of prices, as shown in the graph below, the evolution shows that Türkiye has constantly imported mattresses into the EU in lower volumes than China but at lower prices between 2020 and 2023. As of 2023, it appears that Turkish prices have aligned with Chinese prices. Serbian imports, on the opposite, began being lower than Chinese prices in 2020 but have severely increased to such high prices that they minimize the likelihood of being dumped.

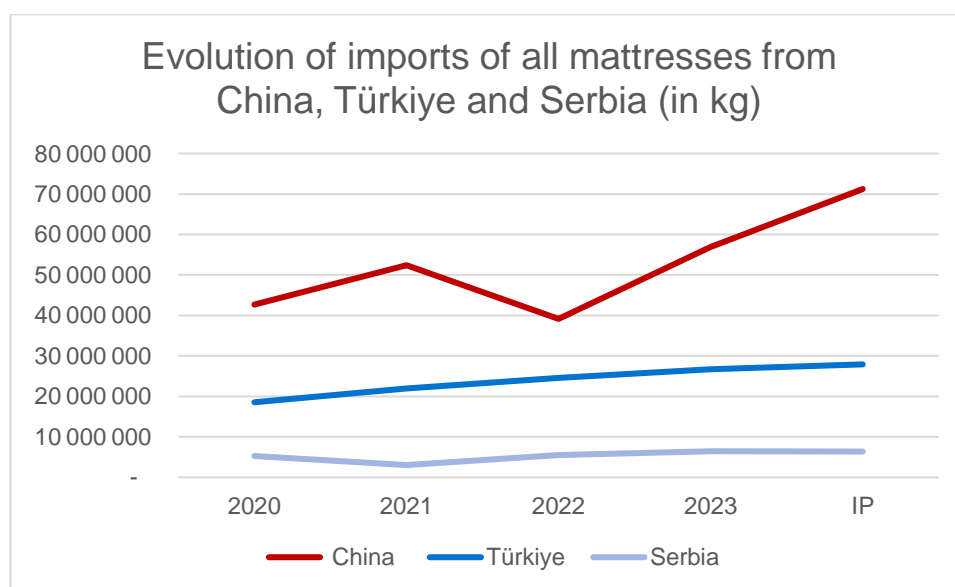
This is important because, despite Türkiye's smaller import volumes, its prices could potentially exert significant price pressure on the EU industry, which aligns with the practice of dumping. Importantly, under EU anti-dumping law, even if a country's import volumes are smaller than the main target country (e.g., China), if their volumes are not negligible and their prices are low enough to impact the EU market, they might need to be included in an investigation.

The Commission does not exclude countries from the scope of investigations based solely on their volume being significantly lower than those of the main country targeted but considers both the overall volume of imports, the volumes of each country and the price effects of imports. Therefore, the mere fact that Türkiye's import volumes were 61% lower than China's during the IP is not a sufficient justification to exclude it from the investigation, as they remain not negligible (24% of total imports), and it is possible that the price pressure from these imports could still cause harm to the EU industry.



In terms of volumes, while Turkish and Serbian imports of mattresses into the EU were much lower than those of China, they remained non-negligible. It remains to be seen, however, how much these volumes really represent out of the total EU consumption in order to determine whether they are significant enough to be considered for an investigation. However, it is important to note that if Türkiye's imports represent a significant portion of the price competition in the market, despite being lower in volume, they might still need be included in the investigation. As established in EU case law, countries whose pricing behavior significantly distorts the EU market—whether through significant price undercutting or other forms of dumping—must be included.

At this point, it is essential to note that valuable information on the evolution of EU consumption of mattresses provided by Europur showed that the EU consumption of mattresses has been constantly decreasing as of 2019. In fact, between 2020 and 2023, the decrease was of a substantial 16%. In this sense, as the EU market shrinks, ever increasing volumes of Chinese imports, as well as substantial Turkish imported volumes are even more significant and capture a larger share of the market in relative terms than what the absolute figures indicate. This will of course be duly considered to showcase the fullest extent of Chinese increasing imported volumes, as well as the potentially more significant Turkish imported volumes in the preparation of a potential complaint.



The conclusion of the statistical analysis conducted is therefore that there are clear indications of a surge in imports throughout the period considered at low prices from China, who is the main driving force of the increase in imports of mattresses into the EU. This is confirmed by the spectacular rise in volumes reaching the EU border between 2020 and the IP, which coincides, as will be shown in Section 5, with clear indications of injury to the participating companies and potentially the EU industry as a whole. This strong rise occurs in the context of decreasing demand in the EU market, which underscores the ability of imports to capture market share.

In sum, although Türkiye also revealed clear indications of a surge in imports at low prices during the IP, Turkish imported volumes were significantly lower than Chinese volumes in the IP. At the same time, we know that Chinese volumes already do not represent a high share of EU consumption, so Turkish volumes represent an even smaller share. However, given the significant price pressure exerted by Turkish imports and the

decreasing trend in EU demand, we believe it is crucial to also target Türkiye in the investigation, even if their imported volumes are lower.

Under EU anti-dumping law, both price and volume effects are considered when determining whether a country should be included in the investigation. If we can determine at a later stage that Turkish imports represent a negligible share of EU consumption in spite of its decrease, we could argue for its exclusion from the investigation. But based on current evidence, it is clear that Turkish imports should be included. Although this will have to be confirmed with further information to be obtained from EBIA, Europur and/or the participating companies, the following stages of the feasibility analysis are based on a potential complaint targeting both Chinese and Turkish imports. The conclusions reached are not likely to vary in any case if it is determined at a later stage that Turkish imports should not be targeted.

4.2. Significant distortions in the mattress industry in China

Dumping occurs when a product is exported at a price lower than its normal value, which is typically the domestic market price in the exporting country (comparisons of both prices are made at ex-works level). In cases involving China, the EU Commission has often considered the domestic sales prices and production costs as unreliable. This is because China is considered a non-market economy (NME), meaning the government has a significant role in regulating and influencing prices, which can distort the true cost of production. As a result, the prices in China's domestic market are often unreliable for accurately determining whether goods are being sold at unfairly low prices.

To address this issue, the EU Commission uses the “significant distortion methodology.” This methodology is used when “it is not appropriate to use domestic prices and costs in the exporting country due to the existence in that country of significant distortions”.¹ Instead of using actual Chinese domestic prices, the EU Commission reconstructs the normal value by using prices from a representative country (*i.e.*, a country where the market operates freely and is not subject to the same distortions). This ensures that the dumping margin reflects a more accurate and fair comparison, accounting for the distortions present in China. The calculation is determined by the following formula:

$$\frac{(\text{ex-factory normal value}) - (\text{ex-factory export price})}{\text{CIF Value}} \times 100$$

By applying the “significant distortion methodology,” the EU Commission compensates for the unreliability of domestic prices and costs in China, providing a more accurate reflection of true market conditions. Ultimately, this method helps protect the EU market from unfair trade practices, ensuring a level playing field for domestic producers.

Although the EU Commission consistently uses the significant distortions methodology in cases against China, the use of this methodology must be requested and justified by the complainants in the body of the complaint. In order to do this, the complainants must provide evidence of the presence of significant distortions in the

¹ Article 2(6a)(a), Regulation 2016/1036 of the European Parliament and of the Council of 8 June 2016 on protection against dumped imports from countries not members of the European Union (hereinafter, basic anti-dumping regulation).

specific industry targeted by the complaint. The paragraphs below contain our preliminary research on the presence of significant distortions in the mattress industry in China. The analysis of the significant distortions of course considers the mattress industry as targeted industry, but it also focuses on significant distortions present in upstream industries.

The EU Commission has already confirmed the indirect involvement of the Government of China in the mattress sector. Such involvement consists in (i) State's public policies affecting the production of mattress' main raw materials, and (ii) State financial support to Chinese producers of certain main inputs for mattress and the presence of CCP related members into the corporate structure of such producers.²

Such State intervention has resulted in the Chinese mattress industry being the focus of an anti-subsidy investigation by the United States International Trade Commission, which revealed significant market distortions benefiting the industry in China. In this sense, the U.S. has already taken significant action against mattress imports from China through a series of anti-subsidy investigations, notably starting in 2005 and continuing through 2013 and beyond. These cases have explicitly acknowledged the existence of subsidies and market distortions in China, which were found to unfairly benefit Chinese mattress producers and harm U.S. manufacturers. The U.S. government has consistently imposed countervailing duties to offset these distortions, with the most recent reviews highlighting the ongoing impact of Chinese subsidies. In addition, the U.S. expanded its investigations in the mid-2010s to include mattress from countries like Vietnam and other Southeast Asian nations, as concerns grew about circumvention of tariffs. By 2020, the scope of these investigations broadened further, affecting EU companies as well.

These precedents serve as a clear and compelling reference point for the EU's potential use of the distortions methodology under anti-dumping rules, demonstrating the well-documented and longstanding evidence of trade imbalances resulting from unfair subsidies and pricing practices in global mattress markets. This body of evidence makes a strong case for the EU to consider similar measures to protect its domestic industries from these market distortions.

One of the main raw materials used in mattress production is foam, which can take different forms, including memory foam, polyurethane, and synthetic latex foam. Both memory foam and polyurethane foam are derived from a mixture of polyols with isocyanates, as well as other additives (e.g. water, hydrocarbons, and catalysts). In this context, the EU Commission has acknowledged the presence of significant market distortions within China's chemical industry.

Polyurethane, for example, is listed among the "new raw materials" in the 14th FYP on the High-Quality Development of Manufacturing Industry, making it a priority for development. Furthermore, polyurethane is mentioned in several provincial plans, such as the Shanghai Chemical plan, which aims to *"explore and strengthen the guarantee of raw materials, study the key chains in the industrial chain such as polyurethane [...]"*.³ This underscores its strategic importance within China's broader industrial policy.

Similarly, the Guiding Opinion on Promoting the High-Quality Development of the Petrochemical and Chemical Industry during the 14th FYP serves as another example of how the Government of China applies the general objectives of its planned economy to the upstream industry of mattress production, making this industry

² EU Commission (2024), Commission Staff Working Document on Significant Distortions In The Economy Of The People's Republic Of China For The Purposes Of Trade Defence Investigations, SWD(2024)91 (hereinafter, 'SWD'), page 458.

³ 14th FYP for the Development of the Chemical Industry Zone in Shanghai (Shanghai Chemical Plan)

indirectly be ruled by State intervention and not the free forces of the market. The Guiding Opinion specifically emphasizes its overall goal to *"focusing on strategic emerging industries such as new generation information technology, biotechnology, new energy, and high-end equipment, we shall increase the specifications of material varieties such as [...] polyurethane, and polyamide, and accelerate the development of high-end polyolefins [...]"*.⁴

A second key input for mattress production is synthetic latex foam, which is derived from petrochemicals through a polymerization process, and it consists of synthetic rubber compounds. The EU Commission has also acknowledged the importance of synthetic rubber in China's industrial strategy, highlighting its importance in the 14th Raw Materials FYP, which states that China aims to *"develop a range of key materials, such as [...] synthetic rubber"*.⁵ Given that companies like Guangdong Synwin Non-Woven Technology Co.⁶, Ltd or Rayson Non-Woven Co., Ltd.⁷ – both of which produce foam in China – are also involved in mattress manufacturing, it can be argued that the distortions impacting the market for synthetic rubber directly influence mattress production as well.

Another key raw material in mattress production is wire rod-based innersprings, which are made of steel. The EU Commission has also identified the Chinese steel industry as a sector considered strategic by the Government of China for investment. In its report on market distortions in China, the EU Commission states that among the general objectives of the 14th FYP is to progress in the *"optimization and structural adjustments of the steel industry, as well as promoting breakthroughs in advanced metals, including high-quality special steels"* and also to *"promote a green transformation of steel as part of the green transformation of the Chinese economy"*, which included an ultra-low emission transformation of 530 million tons of steel production capacity.⁸

In addition to this, steel wire rod is listed as a commodity on the Shanghai Future Exchange (SHFE). Past investigations by the EU Commission have uncovered several pricing irregularities related to materials traded on the SHFE.⁹ The investigations found that Chinese producers typically sourced their raw materials from local suppliers within the Chinese market, using Chinese spot market prices (or SHFE prices) as a reference point. Moreover, the investigations conducted by the EU Commission also *"unveiled that several rules governing the functioning of the SHFE contribute to low volatility and depressed prices at the SHFE"*.¹⁰ Given the relevance of wire rod steel in mattress production and the potential for Chinese producers to access it at artificially low prices, it can be argued that the mattress industry in China is subject to significant market distortions also with regards to this input.

In addition, mattress production falls under the light industry (furniture) sector¹¹, for which the Chinese authorities did not publish a separate FYP as they did for raw materials, energy, vehicles and others. Instead,

⁴ Guiding Opinion on Promoting the High-Quality Development of the Petrochemical and Chemical Industry during the 14th FYP

⁵ See 14th Raw Materials FYP, Chapter II, Section III, Feature 2.

⁶ [China Hybrid Mattress Suppliers, Manufacturers - Wholesale Innerspring Mattress at Low Price - SYNWIN](#)

⁷ [China Wholesale Mattress Manufacturer & Supplier | Rayson Mattress](#)

⁸ SWD, page 384

⁹ Commission Regulation (EU) No 404/2010 of 10 May 2010 imposing a provisional anti-dumping duty on imports of certain aluminium wheels originating in the PRC.

¹⁰ SWD, page 352

¹¹ ['A quick overview of China's mattress industry in 2023: leading competition intensifies, and market concentration continues to increase \[Figure\] Zhiyan Consulting'](#)

the development goals for the light industry are incorporated in the 2022 Guiding Opinions on Promoting the High-quality Development of Light Industry¹². These guiding opinions outline typical development objectives: *"by 2025, the comprehensive strength of light industry will be significantly improved, the proportion of light industry in gross industrial output will be basically stable, the effect of expanding domestic demand and promoting consumption will be obvious, and the ability to serve the building of a new development pattern and promote high-quality economic and social development will be enhanced"*¹³

To achieve these goals, the Government of China outlines specific measures, including efforts to modernize and enhance the industrial chain, as well as initiatives to encourage enterprises to establish and improve their quality management systems. Moreover, they emphasize that enterprises will be encouraged to *"optimize the allocation of production factors such as capital, technology and talents through mergers and reorganizations"* and *"promotion of the formation of world-class manufacturing cluster"*¹⁴. The light industry is also expected to *"go global"* by enhancing the added value of its products, consolidating its presence in traditional international markets, and exploring new opportunities in emerging markets.¹⁵

The guiding opinions also foresee strengthening fiscal and financial support policies. Specifically, financial institutions are expected to *"innovate financial services and products, increase support for technological transformation and scientific and technological innovation of light industry enterprises"*.¹⁶

Another example of indirect intervention by the Government of China in the mattress industry can be found in the "Notice on Measures to Boost Major Consumption and Key Consumption and Promote the Release of Rural Consumption Potential," issued by the Ministry of Commerce and 12 other departments on December 28, 2020. This initiative provides direct subsidies to Chinese households for replacing old appliances and furniture with environmentally friendly and smart models¹⁷. By incentivizing the purchase of new furniture, including mattress, from domestic producers, the program effectively boosts consumption. As a result, the increased demand pushes manufacturers to scale up production and expand their capacity. Given that raw materials account for over 80% of mattress production costs, these large-scale production effects are highly significant. However, such government-driven initiatives also create substantial distortions in the domestic mattress market, leading to artificial demand that may not fully reflect genuine market conditions.

The distortions highlighted above clearly impact the main raw materials industries for mattress and ultimately the mattress one itself also.

Other direct significant distortions have been acknowledged by the United States International Trade Commission in the countervailing investigations on mattresses imported from China. In a 2020 decision in the context of one of the US mattress cases, the U.S. International Trade Commission stated the existence of countervailable subsidy programs that directly influenced the market conditions of Chinese mattress

¹² [Guiding Opinions of the Five Departments on Promoting the High-quality Development of Light Industry](#)

¹³ *Ibid.*, Section 1 (2)

¹⁴ *Ibid.*, Section 6(17) and 6(18)

¹⁵ *Ibid.*, Section 6(20)

¹⁶ *Ibid.*, Section 7(21)

¹⁷ Notice on Measures to Boost Major Consumption and Key Consumption and Promote the Release of Rural Consumption Potential, para. ii (d)

producers, thereby proving the existence of market distortions.¹⁸ The decision acknowledged the following programs:¹⁹

- **Export Loans from Chinese State-Owned Commercial Banks (SOCBs):** It was acknowledged the presence of preferential loans by the Government of China to exporters through SOCBs to promote exports, particularly in export-oriented industries. These loans are offered at favorable terms, such as low interest rates or extended repayment periods, to support the competitiveness of Chinese exports in international markets.
- **Export Seller's Credit:** The provision of loans by the Export-import Bank of China (China EXIM Bank) to Chinese companies providing them with financing to support the export of capital goods and services. The credit allows Chinese exporters to offer favorable payment terms to foreign buyers, thereby facilitating international trade and supporting Chinese exports. The financing is typically used to bridge the gap between the sale and payment, with EXIM Bank often backing the transaction.
- **Export Buyer's Credit:** This program typically provides financing at preferential rates to foreign buyers to purchase Chinese goods and services. The financing is typically provided by Chinese banks or government-backed financial institutions, with favorable terms to encourage international trade and support Chinese exports.
- **Income Tax Reduction for High or New Technology Enterprises:** Through the "Income Tax Reductions for High and New Technology Enterprises" the Government of China provided income tax reductions for enterprises using new technologies.
- **Income Tax Deductions for Research and Development Expenses Under the Enterprise Income Tax Law (EITL):** Under the EITL, companies engaged in high-tech or new technology enterprises were granted reduced income tax rates, lowering them from 25 to 15%, as an incentive for investing in research and development.
- **Income Tax Deductions/Credits for Purchase of Special Equipment:** Under the EITL, the Government of China allows income tax deductions on expenditures, relating to research and development of new technologies, products and techniques. Similar type of deduction also applied to enterprises that purchase equipment aimed at protecting the environment, ensuring work safety, and improving energy efficiency.
- **VAT Rebates on Domestically Produced Equipment:** The idea of this plan was to encourage enterprises with foreign investments to use domestic equipment. Under this program the Government of China would refund foreign paid VAT on purchases of Chinese produced equipment when the equipment was included under a duty-free category and it is within the FIEs investment limits.

¹⁸ U.S. International Trade Commission, *Mattresses from Cambodia, China, Indonesia, Malaysia, Serbia, Thailand, Turkey, and Vietnam*, Inv. No(s). 701-TA-645 and 731-TA-1495-1501 (Final), page I-7.

¹⁹ Memorandum, investigation, C-570-128

- **Foreign Trade Fund Development Grants:** This program provided financial support to companies located in the Guangdong province to assist in the development and expansion of their foreign trade activities.
- **Grants for Energy Conservation and Emission Reduction:** These included specific grants to companies that implement measures to optimize energy use and reduce emissions, supporting their efforts to improve environmental sustainability.
- **SME Technology Innovation Fund:** This program provides financial support specifically for small and medium-sized businesses engaged in technological innovation, helping them develop and implement new technologies.
- **Government Provision of Land-Use Rights in Special Economic Zones for Less Than Adequate Remuneration (“LTAR”):** Under this program the Government of China provided land-use rights within the Guangdong Provincial Special Economic Zone at prices significantly below market value, effectively subsidizing the cost of land for businesses operating in the area.
- **Government Provision of Electricity in Guangdong Province for LTAR:** Under this program, the Government of China provided electricity at rates significantly below the market cost, effectively subsidizing their electricity consumption.

The subsidy programs outlined above provide a clear example of the Government of China's regulatory approach towards the domestic mattress industry, creating financial advantages that distort the market conditions.

In addition, it is evident from annual reports that major Chinese mattress producers benefit from these subsidies. For example, in 2022, the Shanghai-listed company Jason Furniture (Hangzhou) Co., Ltd. (also known as KUKA) disclosed receiving approximately USD 48 million of government subsidies.²⁰ The year after, the same company reported receiving approximately USD 29 million of government subsidies.²¹ Similarly, Sleemon Co., another leading Chinese mattress producer, received a government grant amounting to RMB 46,426,746.40.

Moreover, the Government of China's influence extends beyond direct financial support through its involvement in corporate governance. For example, Xilinmen Furniture Co. prominently presented a founding member of the CCP, Chen Ah Yu, as the company's legal representative.²²

In conclusion, preliminary research conducted in the context of this feasibility analysis, clearly indicates the presence of significant distortions affecting the Chinese mattress industry, both directly and indirectly. The policy support provided by the Government of China to industries producing key raw materials for mattress (e.g., polyurethane, steel and latex) plays a crucial role in fostering the rapid further development of the mattress industry in China.

²⁰ Global Trade Alert, 2022 (Available at: [China: Government subsidies for listed company Jason Furniture\(Hangzhou\)Co.,Ltd. in year 2022 - Global Trade Alert](#))

²¹ Global Trade Alert, 2023 (Available at: [China: Government subsidies for listed company Jason Furniture\(Hangzhou\)Co.,Ltd. in year 2023 - Global Trade Alert](#))

²² Xilinmen Furniture Co., Annual report 2023, page 5.

Moreover, the findings of the U.S. International Trade Commission regarding countervailable subsidies provide important insight into the regulatory measures affecting enterprises within this sector. The U.S. cases serve as a precedent, confirming the mattress industry is directly impacted by market distortions. As a result, these findings demonstrate the feasibility of applying the significant distortions methodology in the preparation of a potential anti-dumping complaint against imports of mattress from China into the EU.

4.3. Preliminary conclusions on dumping

The statistical analysis conducted by DLA Piper revealed a significant surge in imports of mattresses from both China and Türkiye at very low prices between the period considered. This analysis confirmed that an anti-dumping investigation should not solely focus on China as the exporting country engaged in dumping practices. Instead, it should also include Türkiye, given the substantial share of its imported volumes in the EU market and their similarly low pricing levels.

Regarding China and the Commission's use of the significant distortions methodology, DLA Piper identified clear evidence of distortions within the Chinese value chain for mattresses. These distortions include a heavily distorted input market and substantial State aid in the form of subsidies. While reconstructing the Chinese normal value is a complex and technical process undertaken during the preparation of a formal complaint, DLA Piper concluded that the Commission is highly likely to apply the significant distortions methodology in this case due to the evident and well-documented distortions in the Chinese market for mattresses.

The key takeaway from this conclusion is that the application of the significant distortions methodology for Chinese imports provides a strong basis for identifying high dumping margins. Under this methodology, the Commission compares the actual Chinese export price with a reconstructed normal value, which is based on the import prices of inputs in a representative country. This approach often results in an artificially elevated normal value, leading to the identification of correspondingly high dumping margins.

In conclusion, although this feasibility analysis did not aim at calculating an actual dumping margin (this is a complex exercise conducted at complaint stage only), it underscores the viability of employing a methodology that significantly increases the likelihood of determining substantial dumping margins of Chinese imports at the complaint preparation stage.

5. Injury analysis

5.1. Contextual elements and methodology

The injury analysis conducted in this feasibility analysis is a result of:

- (i) Various discussions about the market dynamics with 13 companies involved in the EU mattresses industry. This included of course several EU producers of mattresses, but also some suppliers of mattresses inputs/materials. It also included, as mentioned above, various discussions with EBIA and Europur.
- (ii) “Injury mini-questionnaire” data provided individually by 7 companies regarding their production of mattresses in the EU from 2019 to 2023, and the IP (set between Q3 2023 and Q2 2024). In this regard, it is important to highlight that while the majority of the data reported by the participating companies refers to private label production and sales in the EU, certain companies have also reported branded and private label mattresses production and sales together.

When selecting companies to contribute to the feasibility analysis exercise, in collaboration with EBIA and Europur, our primary focus was on those specializing mainly in the private-label segment. However, some of the major companies we identified, which produce very high volumes and therefore enhance the representativity of the EU industry in our analysis, are also active in the branded segment. Additionally, for some companies, the distinction between the private-label and the branded segment is becoming increasingly blurred. As a result, while some of the data we examined includes branded volumes (mixed with private-label data), the vast majority of the volumes identified still relate to private-label products.

That said, we do not believe that the inclusion of some branded volumes in the analysis undermines the overall picture we have established. We are confident that the analysis still accurately reflects the segment of the industry most affected by Chinese imports, as it does not include the large, well-known high-end EU brands that consumers directly associate and rely upon. As we have discussed previously, we have had productive exchanges with some of these companies but have intentionally refrained from insisting on receiving data from those known for their strong presence in the branded segment, as they are likely not affected by Chinese imports at this stage.

Given the significant time and effort required to collect the various replies to the injury mini-questionnaire, please note that the IP will need to be adjusted if the participating companies decide to continue to explore the potential for formal anti-dumping complaint.

In this case, companies will need to provide data for the last two quarters of 2024 (on a quarterly basis) for two key reasons:

- 1) To assess the impact following what appears to be a temporary positive trend in the first half of 2024 (due to decreases in raw material prices). In other words, to determine whether there has been an improvement or deterioration in the performance of the participating companies during the last two quarters of 2024; and
- 2) Because the end period of the IP when a complaint is lodged with DG Trade must not be older than 6 months from the official lodging date. Given that it takes at least 4-6 months to prepare and officially lodge a complaint, the data will need to be updated to cover the full

year of 2024 and, most likely, include Q1 2025. Additionally, it's important to consider that DG Trade is currently facing a significant bottleneck in processing complaints. There have never been so many AD cases lodged with DG Trade in history (almost all against China and showing great risks to the existence of several EU manufacturing sectors), which have resulted in delays from the DG Trade's teams to process the complaints lodging. As a result, we need to present robust drafts at least 2-3 months before the official lodging date. For instance, we are already sharing drafts of a couple of complaints intended for lodging by the end of Q1 2025.

Additionally, we would like to highlight that the request for figures from 2019 and 2020 served a contextual purpose to solidify our analysis. The year 2020 was particularly significant due to the effects of the Covid-19 crisis, which had a major impact on global trade and the world economy. Understanding the market dynamics before, during and after this period is therefore relevant for an accurate study of the evolution of the companies' performance. As such, although these figures provide valuable context, the EU Commission will not consider 2019 or 2020 data in their analysis, so our formal injury analysis begins in 2021.

Furthermore, it is important to note that each company operates differently and records its financial data in various ways. As a result, the data we received could not be automatically consolidated across the participating companies or harmonized into a single, unified document. For instance, while we attempted to obtain all data on volumes in 'kilograms' in order to compare them with import statistics from China, some companies indicated having it only available in 'units'.

Also, we identified some discrepancies in the different methodologies used to calculate indicators such as total capacity and profits. Notably for profits, several companies do not seem to have accounted for idle costs in their data, meaning that the profits shown are very likely to be overstated. All of these factors ultimately made it both impossible and irrelevant to aggregate all the data received. However, it is important to note that the data provided by each individual company was still essential for drawing conclusions about trends by identifying similarities and differences in performance across the various indicators.

In this context, we fully acknowledge and appreciate the efforts and cooperation of all participating companies, who were very open to discussions and actively engaged in the preparation of this feasibility analysis. While it was not possible to aggregate the figures from all participants in a harmonized manner, we were still able to draw consolidated conclusions through the analysis of the relevant trends presented by each company

5.2. Characterization of the three categories of companies observed

Since the beginning of the preparation of this feasibility analysis, the different companies with whom we discussed explained that while the pressure exercised in the EU market by Chinese imports was growing, not all companies were experiencing it in the same way and to the same extent. The first aspect that became apparent was that the injury was essentially concentrated in the private-label segment of the market and not in the branded one, as mentioned above. But then, within the private-label segment as well, some companies indicated being largely sheltered from the negative impact of Chinese imports due to their contract-based long-term relationship with large retailers that ensure large and constant sales volumes for them.

Indeed, some companies, despite producing mattresses in the private-label segment and in large volumes, remain somehow protected at present. This is because some of the major retailers they supply to are still

hesitant to rely on Chinese supply, as Chinese exporters continue to struggle with maintaining the stable and reliable supply chains required by large EU retailers to meet their clients' demands. As a result, the select few EU that have secured such contracts, have been able to continue to sell large volumes without facing the same level of Chinese fierce competition from Chinese suppliers.

In this context, and after analysing the companies' figures and narratives, we have concluded that the participating EU mattresses producers could be categorized into three different groups within the EU mattresses market, which we have characterized as follows:

Category A: companies at this stage somewhat sheltered by long-term contracts with large retailers who have been securing steady sales volumes at non injurious price levels. These companies do not reflect an injurious situation; their contracts put them in a different reality to that of the rest of the players in the market

Category B: companies that have a mix of sales to large retailers but that also sell to a wider group of customers without significant sales volumes ensured via contracts with price formulas, such as cost-plus. These companies are currently seeing their production and sales volumes becoming seriously affected by Chinese imports. Their performance is downgrading throughout the period considered.

Category C: companies that are focusing increasingly more on online sales and who, in addition, do not sell exclusively to major large retailers and are therefore further exposed to the strong competition from Chinese imports. This is the category of companies suffering injury to the clearest extent

These categories of companies will be further used in the following sections as to explain the different scenarios and experiences of companies in the EU market of mattresses *vis-à-vis* increasing low-priced imports from China.

It is important to note that companies in Category A account for a (very) significant share of the total mattress production among the participating companies. As a result, their figures – which reflect a picture largely sheltered from the negative impact of Chinese imports – would drive the overall picture of the other companies if the data were to be consolidated at a later stage, such as during the complaint preparation process.

This was another key reason why we chose not to aggregate the data for the time being, opting instead to base our analysis on the evaluation of trends across the different companies that shared their data. In the event that an anti-dumping complaint is pursued, it will be crucial to obtain support from additional companies within Categories B and C to strengthen the injury picture. This will not only enhance the weight of the case but also ensure the necessary representativity, particularly with regard to meeting the '25% EU production' threshold for lodging an anti-dumping complaint with the EU Commission.

5.3. Production and sales volumes in the EU

Production and sales volumes in the EU, as reported by the participating companies, demonstrated a downward trend for both Categories B and C between 2021 and the IP. However, the decline was more pronounced for some companies within these two categories than for others. In contrast, companies in Category A appear to have been, at least between 2021 and the IP, much less exposed to the impact of low-priced Chinese imports into the EU compared to those in Categories B and C. It remains that the overall decline in production and EU sales volumes of EU mattresses manufacturers - whether very large or relatively small – remains a key indicator of the significant disruption caused by the increasing influx of Chinese imports of mattresses into the EU market.

With respect to production and sales, it is also worth noting that, although production and EU sales volumes are typically correlated, various participating companies in this case reported identical figures for both production and EU sales during the period considered, effectively paralleling these two indicators. This suggests that either production figures were mirrored to match sales figures, or vice versa, which would need to be adjusted if a complaint were to be prepared. The EU Commission requires distinct figures for production and sales, as these cannot mirror on another, given the existence of stocks and, often, exports.

Certain companies in Category A reported a non-negligible (and in some cases, substantial) reduction in production between 2021 and the IP. However, this decline in production was not linked to a decrease in sales within the EU, but rather to a drop in export sales. Unfortunately, the loss of exports is not considered a relevant factor in determining injury, as an EU anti-dumping investigation can only target ensuring a level playing field for EU sales. Declining exports are often used by parties seeking to undermine an anti-dumping case to attempt to break the causal link between the "injury" to the EU industry and the "targeted imports" by arguing that any injury is not linked to Chinese imports, but rather to the decline in exports. Given that export volumes of EU producers of mattresses are generally limited compared to EU sales, we do not believe this argument could weaken our case. However, it remains important to note that a drop in exports cannot be framed as a positive factor in strengthening a potential anti-dumping case.

Companies in Category B, on the contrary, reported figures showing much more significant reductions in production and sales volumes in the EU, thus also reflecting their strongest exposure to the impact of Chinese imports. Both the production and EU sales volumes of most of these companies decreased by large percentages, ranging from around 15% up to around 25%. In parallel, the decrease in production and sales of companies in Category C reached levels even higher reaching almost 40% for some between 2021 and the IP. For certain companies in Categories B and C there was an additional decrease in their production and sales volumes between 2023 and the IP.

The declining trends in production and EU sales reported by the participating companies closely aligns with the rising volumes of Chinese imports during the period considered. Specifically, Chinese import volumes increased by no less than 36% between 2021 and the IP.

There was a sharp 25% decline in imports in 2022, likely due to supply chain disruptions and increased transportation costs that impacted exports from in the post-Covid-19 period. However, Chinese imports of mattresses surged significantly as of 2023, reaching a total of no less than 56,924,950 kg – an increase of 46% compared to 2022. The upward trend in import volumes continued in the IP, with imports rising to 71,224,893 kg, reflecting a further 25% increase over 2023 alone.

Import volumes from China (in kg and index)			
2021	2022	2023	IP
52,386,690	39,139,195	56,924,950	71,224,893
100	75	109	136

The simultaneous decline in production and EU sales volumes for the participating companies, coinciding with the surge in mattresses imports from China, provides a clear indication of the causal link between low-priced imports and the injury suffered by the EU industry. Our analysis shows that companies in Categories B and C experienced a significant reduction in both production and EU sales volumes, precisely when Chinese imports into the EU increased sharply quarter after quarter.

Although the specific characteristics of the EU market – which create varying realities for different companies within the same industry – may dilute or raise doubts about the presence of injury, we observe that the production and EU sales indicators remain the clearest evidence of the impact Chinese imports are having on the EU mattress market, regardless of how this impact may differ between companies.

This trend becomes even clearer when examining the price evolution in relation to imported volumes. Specifically, as the volume of Chinese imports to the EU increases, their price tends to decrease. Between 2021 and the IP the price of Chinese imports dropped by 13%, while imports volumes rose by 36%. Similarly, from 2023 to the IP, imports grew by 25%, while priced decreased by a further 5%. While the price decreases from China may partly be attributed to global cost reductions in the most recent period, it is important to note that it is much more drastic than the cost and price reductions observed in the data provided by the participating companies regarding their EU production and sales.

Import volumes from China (in €/kg and index)			
2021	2022	2023	IP
4.40	4.91	4.03	3.84
100	112	92	87

In conclusion, the analysis of the participating companies' figures for production and EU sales show a clear volumes decrease during the period considered, coinciding with a significant increase in Chinese imports to the EU, both in terms of quantity and at lower prices.

5.4. Evolution of EU costs and profitability

The evolution of cost of production and the companies' profitability are typically also key indicators that clearly demonstrate the extent to which an EU industry is suffering injury from dumped imports from third countries. In a typical case of injury, company data reveals their inability to pass their costs through onto prices, resulting in very low or even negative profits margins.

The participating companies' figures show a general increase in production cost between 2022 and 2023, followed by a reduction between 2023 and the IP. This trend aligns with patterns observed in several recent cases involving various EU industries. As noted earlier, the rise and subsequent decrease in production costs are accompanied by a clear increase in low-priced imports. Usually, this would result in declining profit margins. Nevertheless, the data from the participating companies' data presents a different picture, as profit levels – as reported – seem to have remained notably positive during the period considered, including the IP.

Between 2022 and 2023, imports from China increased by 46% in a context of high cost of production for the participating companies which would be limiting the extent of profits already. However, between 2023 and the IP, a period with only 6 months of difference, imports from China further increased by 25%, which would usually coincide with declining profits from the EU producers caused by the strong price pressure of said imports. The participating companies, however, saw their profits even increase during the IP as compared to 2023, which does not match a traditional injury picture and raises certain question marks.

While this does not necessarily negate the presence of injury in the EU mattress market, it suggests that the companies need to further refine their injury narratives to establish a clear and more direct causal link to Chinese imports. For instance, we observe a simultaneous decrease in production costs and a decline in sales volumes among the participating companies in Categories B and C in 2023 and during the IP. The sustained profit levels could be attributed to a delayed effect of these cost reductions, which were not immediately reflected in the companies' prices. If this is the case, it implies that the participating companies benefited from lower costs while keeping prices stable, resulting in immediate profits that are likely to decrease in the near future. This decline may have started occurring in Q3 and Q4 2024, although this remains to be confirmed by the companies.

In this sense, it can still be demonstrated that Chinese imports are a root cause for the injury suffered by the participating companies. However, this would be nuanced with the fact that the companies were sheltered by this favourable reduction in their cost of production and delayed effect in prices that allowed them to keep high profits. It will be therefore crucial to round up the injury story with regards to the companies' profitability by gathering more relevant explanations and context that justify why the story remains an injurious one, although not a typical one.

In addition, if our assumption that certain companies did not fully account for their idle costs in their injury questionnaire responses proves to be correct, the reported profitability figures would likely need to be significantly adjusted downward for certain companies for 2022, 2023 and IP. This is particularly relevant given that different companies in Categories B and C have reported relatively high profit margins despite significantly reduced production volumes—between 15% and 40% lower than previous levels. It is unusual for companies to maintain consistent profitability under such circumstances, as reduced production often leads to the underutilization of fixed costs, which typically substantially affect overall cost structures and, as a consequence, profits.

The EU Commission allows companies to factor in idle costs – additional fixed costs associated with underutilized production capacity – when calculating production costs. This adjustment is important because idle costs can have a significant impact on profitability, especially when production output is drastically reduced. If these idle costs were properly integrated into the companies' financial figures, it is likely that their profitability would be much lower than currently reported. This would further affect the injury analysis, as the actual financial impact of reduced production would be more clearly reflected in their cost structures and profit margins

5.5. Conclusion of injury analysis

The participating companies do not share a uniform experience regarding the impact of Chinese imports. While companies in Category A appear to be largely shielded from the negative effects of dumped imports, companies in Categories B and C seem to be increasingly vulnerable to the surge in import volumes into the EU, particularly from 2023 onwards.

Although not all companies have experienced injury to the same degree during the period under review, there is a clear alignment between declining production and EU sales volumes and the narrative of injury caused by Chinese imports. Specifically, we observed that the sales and production volumes of participating companies decreased at the same time that Chinese imports were increasing in the EU market. This correlation strongly suggests that these companies have been suffering injury in terms of volume loss due to Chinese imports, which constitutes a key element for assessing the viability of an eventual anti-dumping complaint.

However, when it comes to profitability and production costs, uncertainty remains regarding whether the participating companies' reported figures accurately account for idle costs incurred during the period considered. If these idle costs were not properly integrated by certain companies, particularly from Categories B and C, into their cost calculations, their actual profitability could be significantly lower than reported. Therefore, before drawing definitive conclusions about the extent of injury with respect to profitability, it is essential for the participating companies to provide further clarification on the treatment of idle costs.

In addition, it is crucial for the participating companies to agree to further update this feasibility analysis with injury data for Q3 and Q4 of 2024. At this stage, our primary recommendation is not to proceed with the preparation of a formal complaint, but rather to refine the analysis by collecting comprehensive data for the full year of 2024. This will also be an opportunity to clarify the issue of idle costs and ensure that all participating companies accurately report these costs related to reduced sales volumes in their cost and profit figures. Each company should confirm to DLA Piper whether they are certain that all idle costs have been fully integrated into their reported figures.

Once this additional data is gathered and any remaining uncertainties are resolved, we will have a clearer understanding of the true financial impact of reduced production on the participating companies. This will provide a stronger foundation for assessing the viability of a formal anti-dumping complaint.

Only once the injury picture is clearer and the data is fully consolidated should we consider addressing the more complex and resource-intensive aspects of a complaint, such as dumping calculations and the identification of significant market distortions. These steps are both burdensome and costly and should only be undertaken once we are confident in the injury analysis.

As a secondary recommendation, once the feasibility analysis has been updated and refined, it may be beneficial to share the report with other companies in Categories B and C. This could help gather broader support, increase the representativity of the exercise, and improve the chances of meeting the necessary thresholds for a potential complaint.

In summary, the immediate next steps should focus on gathering comprehensive data, confirming the accuracy of reported profitability, and addressing the idle costs issue. Please note that this additional analysis would require a discussion regarding an updated budget to cover the necessary work. Once these steps are completed, the foundation will be stronger for any potential future actions, including a formal anti-dumping complaint, should the conditions be met

6. Union interest

An important aspect to consider when preparing an anti-dumping complaint is the “Union interest test,” which the EU Commission evaluates during an anti-dumping investigation. This test determines whether the imposition of anti-dumping measures aligns with the overall interest of the EU. Specifically, the Commission assesses whether such measures would be detrimental to the Union’s broader economic and social interests.

In most anti-dumping investigations, the Union interest analysis primarily focuses on the interests of users of the product in question, particularly businesses that process the product further in their operations. However, mattresses are a unique case. They are a finished product sold directly to consumers and are not typically processed further by other companies. In this case, while individual consumers are technically affected by the measures, the most notable opposition is likely to come from large retailers and importers – especially those that are already sourcing, or aiming to source, increasing quantities of mattresses from China. These companies, including online platforms, may be significantly impacted by higher import prices if anti-dumping measures are imposed, and they may mobilize in opposition. This is all very common in these cases and nothing that prevents a case from being successful.

In this context, large retailers and importers may challenge the case at different stages of the investigation, submitting comments that attempt to weaken the legal and factual foundation of the complaint. Specifically, they may target the evidence relating to injury, dumping, and the causal link between the dumped imports and the harm to the EU industry.

While it is true that large retailers and importers may oppose the case on the grounds of rising import prices, these arguments are unlikely to shift the Commission’s focus away from the protection of the EU industry. Anti-dumping measures are typically imposed when there is clear evidence of dumping, injury, and a causal link, even in the face of opposition from interested parties like users (e.g. retailers in this case), Chinese exporters and EU importers.

Arguments from large retailers are therefore very unlikely to lead to the complete rejection or modification of measures, as long as the Commission has clear evidence of dumping, injury and causal link between them. In practice, it is extremely difficult for opposing parties to demonstrate that the Union’s interest would be best served by not applying the measures, particularly when the domestic industry faces significant harm from unfairly priced imports.

It remains that for complainants, it is critical to anticipate the potential challenges from these parties. Retailers, importers, and Chinese producers may register and provide comments throughout the investigation, attempting to weaken the case on substantive grounds, particularly regarding injury, dumping, and causality. Therefore, it is essential for participating companies to prepare strong rebuttals, emphasizing not only on the existence of dumping, injury and causal link but also insisting on following points:

- The importance of protecting EU production and jobs
- The EU industry's capacity to meet domestic demand
- The availability of alternative supply sources from third countries other than China

In conclusion, while large retailers, importers, and Chinese producers may engage in legal challenges and submit extensive comments throughout the investigation, their opposition is unlikely to lead to the rejection of measures if dumping, injury, and a causal link are firmly established. It is crucial for the complainants to prepare strong arguments and evidence to counter these objections, with particular focus on the protection of the EU mattress industry, which is facing significant harm from unfair trade practices.

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