

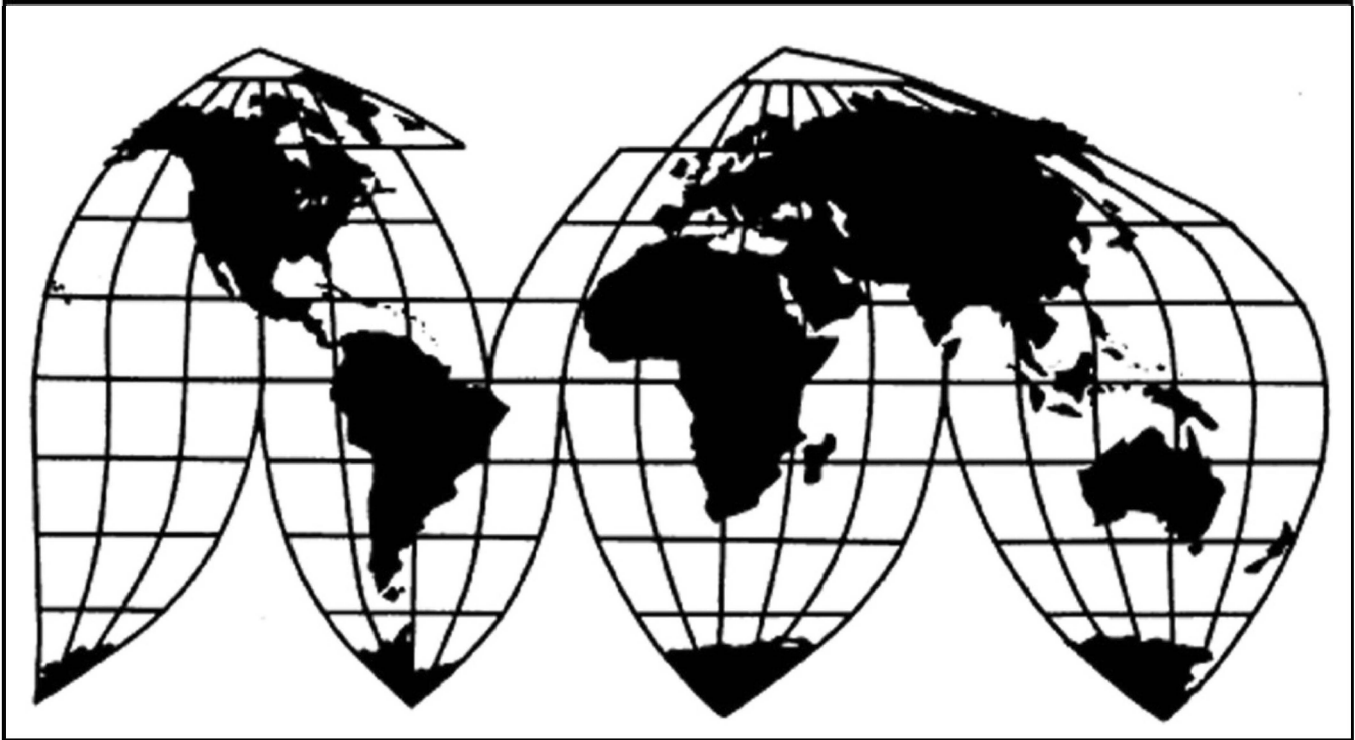
# **Uncovered Innerspring Units from China, South Africa, and Vietnam**

Investigation Nos. 731-TA-1140-1142 (Second Review)

**Publication 4974**

**September 2019**

**U.S. International Trade Commission**



Washington, DC 20436

# U.S. International Trade Commission

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## UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 731-TA-1140-1142 (Second Review)  
Uncovered Innerspring Units from China, South Africa, and Vietnam

### DETERMINATIONS

On the basis of the record <sup>1</sup> developed in the subject five-year reviews, the United States International Trade Commission ("Commission") determines, pursuant to the Tariff Act of 1930 ("the Act"), that revocation of the antidumping duty orders on uncovered innerspring units from China, South Africa, and Vietnam would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. <sup>2</sup>

### BACKGROUND

The Commission, pursuant to section 751(c) of the Act (19 U.S.C. 1675(c)), instituted these reviews on March 1, 2019 (84 FR 7126) and determined on June 4, 2019 that it would conduct expedited reviews (84 FR 40090, August 13, 2019).

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<sup>1</sup> The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(f)).

<sup>2</sup> Commissioner Kearns did not participate in these reviews.





## Views of the Commission

Based on the record in these five-year reviews, we determine under section 751(c) of the Tariff Act of 1930, as amended (“the Tariff Act”), that revocation of the antidumping duty orders on uncovered innerspring units from China, South Africa, and Vietnam would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.<sup>1</sup>

### I. Background

*Original Investigations.* In December 2007, Leggett & Platt (“Leggett”), a domestic producer of uncovered innerspring units, filed antidumping duty petitions concerning imports of uncovered innerspring units from China, South Africa, and Vietnam.<sup>2</sup> In December 2008, the Commission determined that an industry in the United States was materially injured by reason of less than fair value (“dumped”) imports of uncovered innerspring units from South Africa and Vietnam,<sup>3</sup> and the Department of Commerce (“Commerce”) subsequently issued antidumping duty orders on those imports.<sup>4</sup> In February 2009, the Commission determined that an industry in the United States was materially injured by reason of dumped imports of uncovered innerspring units from China,<sup>5</sup> and Commerce subsequently issued an antidumping duty order on those imports.<sup>6</sup>

*First Five-Year Reviews.* In November 2013, the Commission instituted its first five-year reviews of the antidumping duty orders.<sup>7</sup> After conducting expedited reviews, the Commission determined that revocation of the orders would be likely to lead to continuation or recurrence

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<sup>1</sup> Commissioner Kearns did not participate in these reviews.

<sup>2</sup> *Uncovered Innerspring Units from South Africa and Vietnam*, Inv. Nos. 731-TA-1141-1142 (Final), USITC Pub. 4051 at 1 (Dec. 2008) (“Original Determinations”).

<sup>3</sup> Original Determinations, USITC Pub. 4051 at 1.

<sup>4</sup> *Antidumping Duty Order: Uncovered Innerspring Units from South Africa*, 73 Fed. Reg. 75390 (Dec. 11, 2008); *Antidumping Duty Order: Uncovered Innerspring Units from the Socialist Republic of Vietnam*, 73 Fed. Reg. 75391 (Dec. 11, 2008).

<sup>5</sup> *Uncovered Innerspring Units from China*, Inv. No. 731-TA-1140 (Final), USITC Pub. 4061 at 1 (Feb. 2009). In the final determination concerning subject imports from China, the Commission adopted its views from the final determinations concerning subject imports from South Africa and Vietnam, in which the Commission considered subject imports from China, South Africa, and Vietnam on a cumulated basis. *Id.* at 3-4.

<sup>6</sup> *Uncovered Innerspring Units from the People’s Republic of China: Notice of Antidumping Duty Order*, 74 Fed. Reg. 7661 (Feb. 19, 2009).

<sup>7</sup> *Uncovered Innerspring Units from China, South Africa, and Vietnam: Institution of Five-Year Reviews*, 78 Fed. Reg. 65711 (Nov. 1, 2013).

of material injury to an industry in the United States within a reasonably foreseeable time.<sup>8</sup> In April 2014, Commerce issued a continuation of the antidumping duty orders.<sup>9</sup>

*Current Reviews.* The Commission instituted these second five-year reviews on March 1, 2019.<sup>10</sup> The Commission received a single response to the notice of institution, filed by Leggett.<sup>11</sup> The Commission did not receive a response to the notice of institution from any respondent interested party. The participating Commissioners unanimously determined that the domestic interested party group response to the notice of institution was adequate and that the respondent interested party group response was inadequate for each order under review.<sup>12</sup> The Commission further found no other circumstances that would warrant conducting full reviews, and determined to conduct expedited reviews.<sup>13</sup>

In these reviews, U.S. industry data are based on the information provided in the response to the notice of institution by Leggett, which estimated that it accounted for \*\*\* percent of domestic production of uncovered innerspring units in 2018.<sup>14</sup> U.S. import data and related information are based on Commerce's official import statistics. No foreign producer or exporter of uncovered innerspring units participated in these reviews.<sup>15</sup> Foreign industry data and related information are based on information from the prior proceedings, as well as information compiled by Commission staff and submitted by Leggett in these current expedited reviews.<sup>16</sup> The Commission received two responses to its adequacy phase purchaser questionnaire.<sup>17</sup>

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<sup>8</sup> *Uncovered Innerspring Units from China, South Africa, and Vietnam*, Inv. Nos. 731-TA-1140-TA-1142 (Review), USITC Pub. 4459 at 1 (Apr. 2014) ("First Review Determinations").

<sup>9</sup> *Uncovered Innerspring Units from the People's Republic of China, South Africa, and Socialist Republic of Vietnam: Continuation of Antidumping Duty Orders*, 79 Fed. Reg. 22624 (Apr. 23, 2014).

<sup>10</sup> *Uncovered Innerspring Units from China, South Africa, and Vietnam; Institution of Five-Year Reviews*, 84 Fed. Reg. 7126 (Mar. 1, 2019).

<sup>11</sup> Leggett's Response to Notice of Institution, EDIS Doc. 671841 (Apr. 1, 2019) ("Leggett's Response"). Leggett also filed comments on whether to expedite the reviews. Leggett's Comments on Adequacy of Responses, EDIS Doc. 675852 (May 14, 2019).

<sup>12</sup> Commissioners' Adequacy Votes, EDIS Doc. No. 678454 (Jun. 4, 2019); Explanation of Adequacy Determinations, EDIS Doc. 678237 (Jun. 10, 2019). As previously stated, Commissioner Kearns did not participate in these determinations. Commissioners Stayin and Karpel were not members of the Commission at the time of the adequacy votes.

<sup>13</sup> Commissioners' Adequacy Votes; Explanation of Adequacy Determinations.

<sup>14</sup> Confidential Report, Memorandum INV-RR-047, EDIS Doc. 676851 (May 23, 2019), as amended by Memorandum INV-RR-090, EDIS Doc. 687894 (Sept. 10, 2019) and Memorandum INV-RR-096, EDIS Doc. 1476286 (Sept. 19, 2019) ("CR") at Table I-1, Public Report ("PR") at Table I-1; Leggett's Response at 2.

<sup>15</sup> CR at I-25-29, PR at I-21-25.

<sup>16</sup> See generally CR at I-25-30, PR at I-21-25.

<sup>17</sup> CR/PR at D-3.

## II. Domestic Like Product and Industry

### A. Domestic Like Product

In making its determination under section 751(c) of the Tariff Act, the Commission defines the “domestic like product” and the “industry.”<sup>18</sup> The Tariff Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this subtitle.”<sup>19</sup> The Commission’s practice in five-year reviews is to examine the domestic like product definition from the original investigation and consider whether the record indicates any reason to revisit the prior findings.<sup>20</sup>

Commerce has defined the scope of the orders in these five-year reviews as follows:

Uncovered innerspring units composed of a series of individual metal springs joined together in sizes corresponding to the sizes of adult mattresses (e.g., twin, twin long, full, full long, queen, California king, and king) and units used in smaller constructions, such as crib and youth mattresses. All uncovered innerspring units are included in this scope regardless of width and length. Included within this definition are innersprings typically ranging from 30.5 inches to 76 inches in width and 68 inches to 84 inches in length. Innersprings for crib mattresses typically range from 25 inches to 27 inches in width and 50 inches to 52 inches in length.

Uncovered innerspring units are suitable for use as the innerspring component in the manufacture of innerspring mattresses, including mattresses that incorporate a foam encasement around the innerspring.

Pocketed and non-pocketed innerspring units are included in this definition. Non-pocketed innersprings are typically joined together with helical wire and border rods. Non-pocketed innersprings are included in this definition regardless of whether they have border rods attached to the perimeter of the innerspring. Pocketed innersprings are individual coils covered by a “pocket” or “sock” of a nonwoven synthetic material or woven material and then glued together in a linear fashion.

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<sup>18</sup> 19 U.S.C. § 1677(4)(A).

<sup>19</sup> 19 U.S.C. § 1677(10); see, e.g., *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996); *Torrington Co. v. United States*, 747 F. Supp. 744, 748–49 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991); see also S. Rep. No. 249, 96<sup>th</sup> Cong., 1<sup>st</sup> Sess. 90–91 (1979).

<sup>20</sup> See, e.g., *Internal Combustion Industrial Forklift Trucks from Japan*, Inv. No. 731-TA-377 (Second Review), USITC Pub. 3831 at 8–9 (Dec. 2005); *Crawfish Tail Meat from China*, Inv. No. 731-TA-752 (Review), USITC Pub. 3614 at 4 (July 2003); *Steel Concrete Reinforcing Bar from Turkey*, Inv. No. 731-TA-745 (Review), USITC Pub. 3577 at 4 (Feb. 2003).

Uncovered innersprings are classified under subheading 9404.29.9010 and have also been classified under subheadings 9404.10.0000, 7326.20.0070, 7320.20.5010, or 7320.90.5010 of the Harmonized Tariff Schedule of the United States (HTSUS). On January 11, 2011, Commerce included HTSUS classification numbers 9404.29.9005 and 9404.29.9011 to the customs case reference file, pursuant to a request by U.S. Customs and Border Protection (CBP). On January 7, 2013, Commerce included the HTSUS classification 7326.20.0071 number to the customs case reference file, pursuant to a request by CBP. The HTSUS subheadings are provided for convenience and customs purposes only; the written description of the scope of this investigation is dispositive.<sup>21</sup>

Uncovered innerspring units are used to manufacture innerspring mattresses. Uncovered innerspring units may be non-pocketed or pocketed. Non-pocketed innerspring units have three major components: the coil, the helical, and the border. Pocketed innerspring units include individual coils that are inserted into non-woven fabric “pockets.” The individual coils are then assembled into the size that corresponds to the final mattress.<sup>22</sup>

In the original investigations, the Commission defined a single domestic like product, uncovered innerspring units, corresponding to the scope.<sup>23</sup> In the expedited first five-year reviews, the Commission found no new information to warrant revisiting its domestic like product definition, and continued to define a single domestic like product coextensive with the scope.<sup>24</sup>

In these expedited second five-year reviews, Leggett has stated that it agrees with the Commission’s definition of the domestic like product from the prior proceedings.<sup>25</sup> Further, no

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<sup>21</sup> *Issues and Decision Memorandum for the Final Results of the Expedited Second Sunset Reviews of the Antidumping Duty Orders on Uncovered Innerspring Units from the People’s Republic of China, South Africa, and the Socialist Republic of Vietnam*, EDIS Doc. 686278 at 5-6 (Jul. 1, 2019). See also *Uncovered Innerspring Units from the People’s Republic of China, South Africa, and Socialist Republic of Vietnam: Final Results of the Expedited Sunset Reviews of the Antidumping Duty Orders*, 84 Fed. Reg. 32878 (Jul. 10, 2019) (providing condensed version of scope). The scope definition has not changed substantively since the original investigations. See CR at I-8, PR at I-7.

<sup>22</sup> CR at I-10-15, PR at I-9-12.

<sup>23</sup> Original Determinations, USITC Pub. 4051 at 6. The Commission found that pocketed and non-pocketed innerspring units were not separate like products, observing that that all innerspring units had common physical characteristics and uses, were interchangeable, were sold directly to end-users, were produced by similar production processes, and were perceived generally to be similar products. *Uncovered Innerspring Units from China, South Africa, and Vietnam*, Inv. Nos. 731-TA-1140-1142 (Preliminary), USITC Pub. 3983 at 6-7 (Feb. 2008). The final determinations adopted the domestic like product analysis of the preliminary determinations. See Original Determinations, USITC Pub. 4051 at 6.

<sup>24</sup> First Review Determinations, USITC Pub. 4459 at 6.

<sup>25</sup> Leggett’s Response at 24.

new information has been obtained in these reviews that would indicate that the pertinent characteristics and uses of domestically produced innersprings have changed since the prior proceedings.<sup>26</sup> We consequently continue to define the domestic like product as uncovered innerspring units, coextensive with the scope of the orders under review.

## **B. Domestic Industry**

Section 771(4)(A) of the Tariff Act defines the relevant industry as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>27</sup> In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

In the original investigations, the Commission defined the domestic industry as all U.S. producers of uncovered innerspring units.<sup>28</sup> In the expedited first five-year reviews, the Commission continued to define the domestic industry as all domestic producers of uncovered innerspring units.<sup>29</sup> In these expedited second five-year reviews, Leggett has stated that it agrees with the Commission’s domestic industry definition from the prior proceedings.<sup>30</sup> There are no related party issues in these reviews.<sup>31</sup> In light of the foregoing and our domestic like product definition, we again define the domestic industry as consisting of all U.S. producers of uncovered innerspring units.

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<sup>26</sup> CR at I-10-13, PR at I-9-12.

<sup>27</sup> 19 U.S.C. § 1677(4)(A). The definitions in 19 U.S.C. § 1677 are applicable to the entire subtitle containing the antidumping and countervailing duty laws, including 19 U.S.C. §§ 1675 and 1675a. *See* 19 U.S.C. § 1677.

<sup>28</sup> Original Determinations, USITC Pub. 4051 at 7. The Commission assessed whether to exclude Leggett and two other domestic producers from the domestic industry as related parties, pursuant to 19 U.S.C. § 1677(4)(B), ultimately determining not to do so. With respect to Leggett, the Commission found that, although it owned innerspring production facilities in China and South Africa, \*\*\*, and therefore Leggett was not a related party. Confidential Original Determinations, EDIS Doc. 675168 at 9-10; Original Determinations, USITC Pub. 4051 at 7. With respect to the other two domestic producers, the Commission found that, although both had imported subject merchandise during the period of investigation and were therefore related parties, appropriate circumstances did not exist to exclude either firm from the domestic industry because the interests of both companies lay more in domestic production than in importation. Original Determinations, USITC Pub. 4051 at 8.

<sup>29</sup> First Review Determinations, USITC Pub. 4459 at 6. The Commission found that there were no related party issues in those reviews. *Id.*

<sup>30</sup> Leggett’s Response at 24.

<sup>31</sup> While Leggett acknowledges that it owns innerspring production facilities in China and South Africa, the record indicates that it does not export subject merchandise from those countries to the United States. *See* Leggett’s Response at 3 and ex. 6.

### III. Cumulation

#### A. Legal Standard

With respect to five-year reviews, section 752(a) of the Tariff Act provides as follows: the Commission may cumulatively assess the volume and effect of imports of the subject merchandise from all countries with respect to which reviews under section 1675(b) or (c) of this title were initiated on the same day, if such imports would be likely to compete with each other and with domestic like products in the United States market. The Commission shall not cumulatively assess the volume and effects of imports of the subject merchandise in a case in which it determines that such imports are likely to have no discernible adverse impact on the domestic industry.<sup>32</sup>

Cumulation therefore is discretionary in five-year reviews, unlike original investigations, which are governed by section 771(7)(G)(i) of the Tariff Act.<sup>33</sup> The Commission may exercise its discretion to cumulate, however, only if the reviews are initiated on the same day, the Commission determines that the subject imports are likely to compete with each other and the domestic like product in the U.S. market, and imports from each such subject country are not likely to have no discernible adverse impact on the domestic industry in the event of revocation. Our focus in five-year reviews is not only on present conditions of competition, but also on likely conditions of competition in the reasonably foreseeable future.

#### B. Prior Proceedings and Arguments of the Domestic Producer

In the original investigations, the Commission found a reasonable overlap of competition among subject imports from China, South Africa, and Vietnam, and between the imports from each subject country and the domestic like product.<sup>34</sup> The parties did not dispute the appropriateness of cumulation.<sup>35</sup> Accordingly, the Commission cumulated subject imports from China, South Africa, and Vietnam for purposes of its material injury analysis.<sup>36</sup>

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<sup>32</sup> 19 U.S.C. § 1675a(a)(7).

<sup>33</sup> 19 U.S.C. § 1677(7)(G)(i); *see also, e.g., Nucor Corp. v. United States*, 601 F.3d 1291, 1293 (Fed. Cir. 2010) (Commission may reasonably consider likely differing conditions of competition in deciding whether to cumulate subject imports in five-year reviews); *Allegheny Ludlum Corp. v. United States*, 475 F. Supp. 2d 1370, 1378 (Ct. Int'l Trade 2006) (recognizing the wide latitude the Commission has in selecting the types of factors it considers relevant in deciding whether to exercise discretion to cumulate subject imports in five-year reviews); *Nucor Corp. v. United States*, 569 F. Supp. 2d 1328, 1337–38 (Ct. Int'l Trade 2008).

<sup>34</sup> Original Determinations, USITC Pub. 4051 at 11.

<sup>35</sup> Original Determinations, USITC Pub. 4051 at 10.

<sup>36</sup> Original Determinations, USITC Pub. 4051 at 11.

In the expedited first five-year reviews, the Commission found that imports from each subject country would not be likely to have no discernible adverse impact on the domestic industry in the event of revocation.<sup>37</sup> It further found a likely reasonable overlap of competition among subject imports from China, South Africa, and Vietnam, and between subject imports from each country and the domestic like product.<sup>38</sup> It did not find any likely significant difference in the conditions of competition between imports from the three subject sources of uncovered innerspring units.<sup>39</sup> On this basis, the Commission exercised its discretion to cumulate subject imports from China, South Africa, and Vietnam.<sup>40</sup>

In these second expedited five-year reviews, Leggett argues that the Commission should again exercise its discretion to cumulate all subject imports. Leggett asserts that if the orders were revoked there would once again be a reasonable overlap of competition among subject imports and between subject imports and the domestic like product.<sup>41</sup>

### **C. Analysis**

In these reviews, the statutory threshold for cumulation is satisfied because all reviews were initiated on the same day: March 1, 2019.<sup>42</sup> In addition, we consider the following issues in deciding whether to exercise our discretion to cumulate the subject imports: (1) whether imports from any of the subject countries are precluded from cumulation because they are likely to have no discernible adverse impact on the domestic industry; (2) whether there is a likelihood of a reasonable overlap of competition among subject imports and the domestic like product; and (3) whether subject imports are likely to compete in the U.S. market under different conditions of competition.

#### **1. Likelihood of No Discernible Adverse Impact**

The statute precludes cumulation if the Commission finds that subject imports from a country are likely to have no discernible adverse impact on the domestic industry.<sup>43</sup> Neither the statute nor the Uruguay Round Agreements Act Statement of Administrative Action (“SAA”) provides specific guidance on what factors the Commission is to consider in determining that imports “are likely to have no discernible adverse impact” on the domestic industry.<sup>44</sup> With

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<sup>37</sup> First Review Determinations, USITC Pub. 4459 at 8.

<sup>38</sup> First Review Determinations, USITC Pub. 4459 at 12.

<sup>39</sup> First Review Determinations, USITC Pub. 4459 at 13.

<sup>40</sup> First Review Determinations, USITC Pub. 4459 at 13.

<sup>41</sup> Leggett’s Response at 21. Specifically, Leggett alleges that revocation would result in a rapid increase of subject imports that would once again use the same channels of distribution to supply mattress manufacturers in the national market that currently are supplied by domestic producers. See *id.*

<sup>42</sup> *Initiation of Five-Year (Sunset) Reviews*, 84 Fed. Reg. 7021 (Mar. 1, 2019).

<sup>43</sup> 19 U.S.C. § 1675a(a)(7).

<sup>44</sup> SAA, H.R. Rep. No. 103-316, vol. I at 887 (1994).

respect to this provision, the Commission generally considers the likely volume of subject imports and the likely impact of those imports on the domestic industry within a reasonably foreseeable time if the orders are revoked. Our analysis for each of the subject countries takes into account, among other things, the nature of the product and the behavior of subject imports in the original investigations.

Based on the record in these reviews, we find that imports from each subject country are not likely to have no discernible adverse impact on the domestic industry in the event of revocation of the corresponding order.

*China.* In the original investigations, subject imports from China increased from \*\*\* units in 2005 to \*\*\* units in 2006 and \*\*\* units in 2007; they were \*\*\* units in January-June (“interim”) 2007 and \*\*\* units in interim 2008.<sup>45</sup> The share of the U.S. market held by subject imports from China increased from \*\*\* percent in 2005 to \*\*\* percent in 2006 and \*\*\* percent in 2007; it was \*\*\* percent in interim 2007 and \*\*\* percent in interim 2008.<sup>46</sup> Data from the responding Chinese producers showed that their capacity increased from \*\*\* units in 2005 to \*\*\* units in 2006 and \*\*\* units in 2007; it was \*\*\* units in interim 2007 and \*\*\* units in interim 2008.<sup>47</sup> Their capacity utilization increased from \*\*\* percent in 2005 to \*\*\* percent in 2006 and \*\*\* percent in 2007; it was \*\*\* percent in interim 2007 and \*\*\* percent in interim 2008.<sup>48</sup> Responding Chinese producers exported \*\*\* percent of their innerspring shipments in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\* percent in interim 2007, and \*\*\* percent in interim 2008.<sup>49</sup>

In the expedited first five-year reviews, there were 6,000 units of subject imports from China in 2012.<sup>50</sup> Leggett identified 25 Chinese producers/exporters of innerspring units, and cited public information from several Chinese producers indicating that they continued to maintain significant production and capacity.<sup>51</sup> The Commission found that subject imports from China were not likely to have no discernible adverse impact on the domestic industry if the order on those imports were revoked.<sup>52</sup>

In these expedited second five-year reviews, there were no subject imports from China in 2013 and 2014, 55 units of subject imports from China in 2015, 131,976 units in 2016, 331,606 units in 2017, and 124,118 units in 2018.<sup>53</sup> In 2018, subject imports from China

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<sup>45</sup> Original Investigations Confidential Report, Memorandum INV-FF-144, EDIS Doc. 675164 at Table C-1 (Nov. 10, 2008).

<sup>46</sup> Original Investigations Confidential Report at Table C-1.

<sup>47</sup> Original Investigations Confidential Report at Table VII-1.

<sup>48</sup> Original Investigations Confidential Report at Table VII-1.

<sup>49</sup> Original Investigations Confidential Report at Table VII-1.

<sup>50</sup> First Review Determinations, USITC Pub. 4459 at 9.

<sup>51</sup> First Review Determinations, USITC Pub. 4459 at 9.

<sup>52</sup> First Review Determinations, USITC Pub. 4459 at 9.

<sup>53</sup> CR/PR at Table I-6. Imports from Macau are included in these figures. As explained in section IV.C.2. below, Leggett has questioned whether the merchandise from China that entered the United



accounted for \*\*\* percent of apparent U.S. consumption.<sup>54</sup> There are limited data available in these reviews concerning the industry in China because no subject Chinese producers responded to the Commission’s notice of institution. Leggett identifies 24 Chinese producers/exporters of subject merchandise,<sup>55</sup> and maintains that the Chinese innersprings industry has enormous capacity.<sup>56</sup> Further, publicly available export data indicate that the United States was China’s largest export market in 2018 for the most pertinent product category.<sup>57</sup> These data also indicate that China was the world’s largest exporter of this product category in 2018.<sup>58</sup>

Based on the foregoing, particularly information available in the record regarding the Chinese industry’s large production capacity, significant exports to the United States and the world of the most pertinent product category,<sup>59</sup> and exports to the United States of subject merchandise despite the antidumping duty order, we find that subject imports from China would not likely have no discernible adverse impact on the domestic industry if the antidumping duty order concerning these imports were revoked.

*South Africa.* In the original investigations, subject imports from South Africa decreased from \*\*\* units in 2005 to \*\*\* units in 2006 and \*\*\* units in 2007; they were \*\*\* units in interim 2007 and \*\*\* units in interim 2008.<sup>60</sup> The share of the U.S. market held by subject imports from South Africa decreased from \*\*\* percent in 2005 to \*\*\* percent in 2006 and \*\*\* percent in 2007; it was \*\*\* percent in interim 2007 and \*\*\* percent in interim 2008.<sup>61</sup> Data from responding South African producers showed that their capacity increased from \*\*\* units in 2005 to \*\*\* units in 2006 and \*\*\* units in 2007; it was \*\*\* units in interim 2007 and \*\*\* units in interim 2008.<sup>62</sup> Their capacity utilization was \*\*\* percent in 2005, \*\*\* percent in 2006, and \*\*\* percent in 2007; it was \*\*\* percent in interim 2007 and \*\*\* percent in interim 2008.<sup>63</sup>

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States during the period of review under the pertinent Harmonized Tariff Schedule of the United States (“HTSUS”) categories is within the scope of the order.

<sup>54</sup> CR/PR at Table I-8.

<sup>55</sup> Leggett’s Response at ex. 6.

<sup>56</sup> Leggett’s Response at 17. In support of this proposition, Leggett cites data indicating considerable growth in Chinese mattress production, which is predominantly of innerspring mattresses, between 2012 and 2017. *See id.* at 18 and ex. 8.

<sup>57</sup> *See* CR/PR at Table I-9, which shows that exports in 2018 from China to the United States of this product category – HTSUS subheading 9404.29, which includes both in-scope uncovered innerspring units and out-of-scope merchandise – were higher by value than exports from China to any other market. Exports of this category from China to the United States increased by value from \$97.1 million in 2014 to \$113.8 million in 2018. *Id.*

<sup>58</sup> CR/PR at Table I-12.

<sup>59</sup> As stated above, this category includes both in-scope uncovered innerspring units and out-of-scope merchandise.

<sup>60</sup> Original Investigations Confidential Report at Table C-1.

<sup>61</sup> Original Investigations Confidential Report at Table C-1.

<sup>62</sup> Original Investigations Confidential Report at Table VII-3.

<sup>63</sup> Original Investigations Confidential Report at Table VII-3.

South African producers exported \*\*\* percent of their total shipments in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\* percent in interim 2007, and \*\*\* percent in interim 2008.<sup>64</sup>

In the expedited first five-year reviews, the Commission found that subject imports from South Africa were not present in the U.S. market.<sup>65</sup> Leggett identified four South African firms that produced uncovered innerspring units, and contended that the South African industry had excess capacity, stating that because several large South African mattress manufacturers had begun producing the innerspring units that they used in their finished mattresses, the unused capacity of producers selling to the merchant market had increased.<sup>66</sup> The Commission found that subject imports from South Africa were not likely to have no discernible adverse impact on the domestic industry if the order on those imports were revoked.<sup>67</sup>

In these expedited second five-year reviews, there were no subject imports from South Africa during the period of review.<sup>68</sup> There are limited data available concerning the industry in South Africa, as no subject South African producers responded to the Commission's notice of institution. Leggett identifies four South African producers/exporters of subject merchandise,<sup>69</sup> and maintains that the South African innersprings industry has increased production capacity.<sup>70</sup> Publicly available export data indicate that the United States was South Africa's largest export market in 2018 for the most pertinent product category.<sup>71</sup> South African exports of this product category to the United States in 2018 were the highest of the period from 2014 to 2018.<sup>72</sup> These data also show that the United States is the world's largest single country import market for this category.<sup>73</sup>

Based on the foregoing, particularly the facts available concerning the South African industry's increasing capacity and growing exports of the most pertinent product category to

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<sup>64</sup> Original Investigations Confidential Report at Table VII-3.

<sup>65</sup> First Review Determinations, USITC Pub. 4459 at 9.

<sup>66</sup> First Review Determinations, USITC Pub. 4459 at 10.

<sup>67</sup> First Review Determinations, USITC Pub. 4459 at 10.

<sup>68</sup> CR/PR at Table I-6.

<sup>69</sup> Leggett's Response at ex. 6.

<sup>70</sup> Leggett's Response at 17. In support of this proposition, Leggett cites data indicating growth in South African mattress production between 2008 and 2017. *See id.* at 19 and ex. 8.

<sup>71</sup> *See* CR/PR at Table I-10, which shows that exports in 2018 from South Africa to the United States of this product category – HTSUS subheading 9404.29, which includes both in-scope uncovered innerspring units and out-of-scope merchandise – were higher by value than exports from South Africa to any other market. Exports of this category from South Africa to the United States increased by value from \$1.1 million in 2014 to \$4.0 million in 2018. *Id.*

<sup>72</sup> CR/PR at Table I-10. South Africa was not among the top eight global exporters of this product category in 2018. CR/PR at Table I-12.

<sup>73</sup> CR/PR at Table I-13.

the United States,<sup>74</sup> and the significance of the United States as an import market for the category including uncovered innerspring units, we find that subject imports from South Africa would not likely have no discernible adverse impact on the domestic industry if the antidumping duty order concerning these imports were revoked.

*Vietnam.* In the original investigations, subject imports from Vietnam were \*\*\* units in 2005, \*\*\* units in 2006, and \*\*\* units in 2007; they were \*\*\* units in interim 2007 and \*\*\* units in interim 2008.<sup>75</sup> The share of the U.S. market held by subject imports from Vietnam was \*\*\* percent in 2005, \*\*\* percent in 2006, and \*\*\* percent in 2007; it was \*\*\* percent in interim 2007 and \*\*\* percent in interim 2008.<sup>76</sup> Data from the responding Vietnamese producer showed that its capacity was \*\*\* units in 2005, \*\*\* units in 2006, and \*\*\* units in 2007; it was \*\*\* units in interim 2007 and \*\*\* units in interim 2008.<sup>77</sup> Its capacity utilization increased from \*\*\* percent in 2005 to \*\*\* percent in 2006 and \*\*\* percent in 2007; it was \*\*\* percent in interim 2007 and \*\*\* percent in interim 2008.<sup>78</sup> The responding Vietnamese producer exported \*\*\* percent of its total shipments in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\* percent in interim 2007, and \*\*\* percent in interim 2008.<sup>79</sup>

In the expedited first five-year reviews, the Commission found that subject imports from Vietnam were not present in the U.S. market.<sup>80</sup> Leggett identified eleven Vietnamese firms that produced uncovered innerspring units, stating that publicly available information indicated that the Vietnamese industry continued to maintain innerspring unit production.<sup>81</sup> The Commission found that subject imports from Vietnam were not likely to have no discernible adverse impact on the domestic industry if the order on those imports were revoked.<sup>82</sup>

In these expedited second five-year reviews, there were no subject imports from Vietnam over the period of review.<sup>83</sup> There are limited data available concerning the industry in Vietnam, as no subject Vietnamese producers responded to the Commission's notice of institution. Leggett identifies ten Vietnamese producers/exporters of subject merchandise,<sup>84</sup>

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<sup>74</sup> As stated above, this category includes both in-scope uncovered innerspring units and out-of-scope merchandise.

<sup>75</sup> Original Investigations Confidential Report at Table C-1.

<sup>76</sup> Original Investigations Confidential Report at Table C-1.

<sup>77</sup> Original Investigations Confidential Report at Table VII-4. Only one Vietnamese producer responded to the Commission's questionnaire. See Original Investigations, USITC Pub. 4051 at 4.

<sup>78</sup> Original Investigations Confidential Report at Table VII-4.

<sup>79</sup> Original Investigations Confidential Report at Table VII-4.

<sup>80</sup> First Review Determinations, USITC Pub. 4459 at 10.

<sup>81</sup> First Review Determinations, USITC Pub. 4459 at 10.

<sup>82</sup> First Review Determinations, USITC Pub. 4459 at 10-11.

<sup>83</sup> CR/PR at Table I-6.

<sup>84</sup> Leggett's Response at ex. 6.

and maintains that the Vietnamese innersprings industry has growing production capacity.<sup>85</sup> According to publicly available export data, the United States was Vietnam's largest export market in 2018 for the most pertinent product category.<sup>86</sup> These data further indicate that both total exports and exports to the United States of this product category increased sharply from 2014 to 2018,<sup>87</sup> and as discussed above, these data show that the United States is the world's largest single country import market for this category.<sup>88</sup>

Based on the foregoing, particularly the evidence indicating the Vietnamese industry's growing production capacity, growing exports of the most pertinent product category to the United States and the world,<sup>89</sup> and the significance of the United States as an import market for the category including uncovered innerspring units, we find that subject imports from Vietnam would not likely have no discernible adverse impact on the domestic industry if the antidumping duty order concerning these imports were revoked.

## 2. Likelihood of a Reasonable Overlap of Competition

The Commission generally has considered four factors intended to provide a framework for determining whether subject imports compete with each other and with the domestic like product.<sup>90</sup> Only a "reasonable overlap" of competition is required.<sup>91</sup> In five-year reviews, the

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<sup>85</sup> Leggett's Response at 17. In support of this proposition, Leggett cites data indicating substantial growth in Vietnamese mattress production between 2008 and 2017. *See id.* at 18 and ex. 8.

<sup>86</sup> *See* CR/PR at Table I-11, which shows that exports in 2018 from Vietnam to the United States of this product category – HTSUS subheading 9404.29, which includes both in-scope uncovered innerspring units and out-of-scope merchandise – were higher by value than exports from Vietnam to any other market. Exports of this product category from Vietnam to the United States increased by value from \$5.8 million in 2014 to \$53.5 million in 2018. *Id.*

<sup>87</sup> CR/PR at Table I-11. Vietnam was not among the top eight largest global exporters of this product category in 2018.

<sup>88</sup> CR/PR at Table I-13.

<sup>89</sup> As stated above, this category includes both in-scope uncovered innerspring units and out-of-scope merchandise.

<sup>90</sup> The four factors generally considered by the Commission in assessing whether imports compete with each other and with the domestic like product are as follows: (1) the degree of fungibility between subject imports from different countries and between subject imports and the domestic like product, including consideration of specific customer requirements and other quality-related questions; (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product; (3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and (4) whether subject imports are simultaneously present in the market with one another and the domestic like product. *See, e.g., Wieland Werke, AG v. United States*, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

<sup>91</sup> *See Mukand Ltd. v. United States*, 937 F. Supp. 910, 916 (Ct. Int'l Trade 1996); *Wieland Werke*, 718 F. Supp. at 52 ("Completely overlapping markets are not required."); *United States Steel Group v. United States*, 873 F. Supp. 673, 685 (Ct. Int'l Trade 1994), *aff'd*, 96 F.3d 1352 (Fed. Cir. 1996). We note, however, that there have been investigations where the Commission has found an insufficient overlap in

relevant inquiry is whether there likely would be competition even if none currently exists because the subject imports are absent from the U.S. market.<sup>92</sup>

*Fungibility.* In the original investigations, the Commission found that imports from each subject country were sufficiently fungible with both the domestic like product and with each other.<sup>93</sup> In the expedited first five-year reviews, the Commission found that there was no new information on the record to indicate that this had changed since the original investigations.<sup>94</sup> Similarly, there is no new information in these current expedited five-year reviews to indicate that this has changed from the original investigations.

*Channels of Distribution.* In the original investigations, the Commission found an overlap in the channels of distribution for subject imports from all three countries and the domestic like product, as the vast majority of innerspring units went to end users for the production of mattresses, while only a limited quantity went to distributors.<sup>95</sup> In the expedited first five-year reviews, the Commission found that there was no new information to indicate that this had changed since the original investigations or would likely change upon revocation.<sup>96</sup> There is likewise no new information in these current expedited five-year reviews to indicate that this has changed or is likely to change upon revocation. Leggett asserts that if the orders were revoked, subject imports would once again utilize the same channels of distribution.<sup>97</sup>

*Geographic Overlap.* In the original investigations, the Commission found that subject imports from all three countries and the domestic like product were sold in the same geographic markets, noting that importers of subject merchandise generally reported serving the Southeast, Southwest, and West Coast, with several importers reporting that they served a national market.<sup>98</sup> In the expedited first five-year reviews, the Commission found no new information indicating that this would likely change upon revocation.<sup>99</sup> Similarly, there is no new information in these current expedited five-year reviews indicating that this is likely to change upon revocation. Leggett asserts that domestic producers sell into the national

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competition and has declined to cumulate subject imports. *See, e.g., Live Cattle from Canada and Mexico*, Inv. Nos. 701-TA-386 and 731-TA-812–813 (Preliminary), USITC Pub. 3155 at 15 (Feb. 1999), *aff'd sub nom, Ranchers-Cattlemen Action Legal Foundation v. United States*, 74 F. Supp. 2d 1353 (Ct. Int'l Trade 1999); *Static Random Access Memory Semiconductors from the Republic of Korea and Taiwan*, Inv. Nos. 731-TA-761–762 (Final), USITC Pub. 3098 at 13–15 (Apr. 1998).

<sup>92</sup> *See generally, Cheflin Corp. v. United States*, 219 F. Supp. 2d 1313, 1314 (Ct. Int'l Trade 2002).

<sup>93</sup> Original Determinations, USITC Pub. 4051 at 10. In reaching this finding, the Commission stated that U.S. producer and importer questionnaire responses indicated that there was general interchangeability between U.S.-produced innerspring units and subject imports and that customers considered innerspring units to be fungible. *Id.*

<sup>94</sup> First Review Determinations, USITC Pub. 4459 at 11.

<sup>95</sup> Original Determinations, USITC Pub. 4051 at 11.

<sup>96</sup> First Review Determinations, USITC Pub. 4459 at 12.

<sup>97</sup> Leggett's Response at 21.

<sup>98</sup> Original Determinations, USITC Pub. 4051 at 11.

<sup>99</sup> First Review Determinations, USITC Pub. 4459 at 12.

market, and that if the orders were revoked, subject imports would once again be sold in the national market, as well.<sup>100</sup>

*Simultaneous Presence in Market.* In the original investigations, the Commission found that imports from each subject country were present in the U.S. market for nearly the entire period of investigation.<sup>101</sup> In the expedited first five-year reviews, in light of its conclusion that subject imports would likely be present in the U.S. market upon revocation in quantities sufficient to have a likely discernible adverse impact on the domestic industry, the Commission found that imports from each subject country would likely be simultaneously present in the U.S. market if the orders were revoked.<sup>102</sup> Given our conclusion in these reviews regarding the likely discernible adverse impact of subject imports, we continue to find that imports from each of the subject countries will likely have a simultaneous presence in the U.S. market in the event of revocation.

*Conclusion.* The record in these expedited reviews contains limited information concerning subject imports in the U.S. market during the period of review. The record, however, contains no information suggesting a change in the considerations that led the Commission in the original investigations and prior reviews to conclude that there would be a reasonable overlap of competition between and among imports from the different subject sources and the domestic like product. In light of this and the absence of any contrary argument, we find a likely reasonable overlap of competition between and among the domestic like product and subject imports from China, South Africa, and Vietnam.

### **3. Likely Conditions of Competition**

In determining whether to exercise our discretion to cumulate the subject imports, we assess whether imports of uncovered innerspring units from the subject countries would likely compete under similar or different conditions in the U.S. market if the orders under review were revoked. As previously discussed, in the first reviews the Commission found that the record did not indicate that there would likely be any significant difference in the conditions of competition between subject imports from China, South Africa, and Vietnam if the orders were revoked. We similarly find that the record in these reviews does not indicate that there would likely be any significant difference in the conditions of competition among subject imports upon revocation of the orders.

#### **D. Conclusion**

Based on the record, we find that subject imports from China, South Africa, or Vietnam would not be likely to have no discernible adverse impact on the domestic industry if the corresponding orders were revoked. We also find a likely reasonable overlap of competition among subject imports from China, South Africa, and Vietnam and between imports from each

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<sup>100</sup> Leggett's Response at 21.

<sup>101</sup> Original Determinations, USITC Pub. 4051 at 11.

<sup>102</sup> First Review Determinations, USITC Pub. 4459 at 12.

subject country and the domestic like product. Finally, we find that imports from each of the subject countries are likely to compete in the U.S. market under similar conditions of competition should the orders be revoked. We therefore exercise our discretion to cumulate subject imports from China, South Africa, and Vietnam for our analysis of whether material injury to the domestic industry is likely to continue or recur if the orders were to be revoked.

#### **IV. Revocation of the Antidumping Duty Orders Would Likely Lead to Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time**

##### **A. Legal Standards**

In a five-year review conducted under section 751(c) of the Tariff Act, Commerce will revoke an antidumping or countervailing duty order unless: (1) it makes a determination that dumping or subsidization is likely to continue or recur and (2) the Commission makes a determination that revocation of the antidumping or countervailing duty order “would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.”<sup>103</sup> The SAA states that “under the likelihood standard, the Commission will engage in a counterfactual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation or termination of a proceeding and the elimination of its restraining effects on volumes and prices of imports.”<sup>104</sup> Thus, the likelihood standard is prospective in nature.<sup>105</sup> The U.S. Court of International Trade has found that “likely,” as used in the five-year review provisions of the Act, means “probable,” and the Commission applies that standard in five-year reviews.<sup>106</sup>

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<sup>103</sup> 19 U.S.C. § 1675a(a).

<sup>104</sup> SAA at 883–84. The SAA states that “{t}he likelihood of injury standard applies regardless of the nature of the Commission’s original determination (material injury, threat of material injury, or material retardation of an industry). Likewise, the standard applies to suspended investigations that were never completed.” *Id.* at 883.

<sup>105</sup> While the SAA states that “a separate determination regarding current material injury is not necessary,” it indicates that “the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued {sic} prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked.” SAA at 884.

<sup>106</sup> See *NMB Singapore Ltd. v. United States*, 288 F. Supp. 2d 1306, 1352 (Ct. Int’l Trade 2003) (“‘likely’ means probable within the context of 19 U.S.C. § 1675(c) and 19 U.S.C. § 1675a(a)”), *aff’d mem.*, 140 Fed. Appx. 268 (Fed. Cir. 2005); *Nippon Steel Corp. v. United States*, 26 CIT 1416, 1419 (2002) (same); *Usinor Industeel, S.A. v. United States*, 26 CIT 1402, 1404 nn.3, 6 (2002) (“more likely than not” standard is “consistent with the court’s opinion;” “the court has not interpreted ‘likely’ to imply any particular degree of ‘certainty’”); *Indorama Chemicals (Thailand) Ltd. v. United States*, 26 CIT 1059, 1070 (2002) (“standard is based on a likelihood of continuation or recurrence of injury, not a certainty”);

The statute states that “the Commission shall consider that the effects of revocation or termination may not be imminent, but may manifest themselves only over a longer period of time.”<sup>107</sup> According to the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ timeframe applicable in a threat of injury analysis in original investigations.”<sup>108</sup>

Although the standard in a five-year review is not the same as the standard applied in an original investigation, it contains some of the same fundamental elements. The statute provides that the Commission is to “consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the orders are revoked or the suspended investigation is terminated.”<sup>109</sup> It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order or the suspension agreement under review, whether the industry is vulnerable to material injury if an order is revoked or a suspension agreement is terminated, and any findings by Commerce regarding duty absorption pursuant to 19 U.S.C. § 1675(a)(4).<sup>110</sup> The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission’s determination.<sup>111</sup>

In evaluating the likely volume of imports of subject merchandise if an order under review is revoked and/or a suspended investigation is terminated, the Commission is directed to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the United States.<sup>112</sup> In doing so, the Commission must consider “all relevant economic factors,” including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product shifting if production facilities in the foreign

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*Usinor v. United States*, 26 CIT 767, 794 (2002) (“‘likely’ is tantamount to ‘probable,’ not merely ‘possible’”).

<sup>107</sup> 19 U.S.C. § 1675a(a)(5).

<sup>108</sup> SAA at 887. Among the factors that the Commission should consider in this regard are “the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities.” *Id.*

<sup>109</sup> 19 U.S.C. § 1675a(a)(1).

<sup>110</sup> 19 U.S.C. § 1675a(a)(1). Commerce has not made any duty absorption findings with respect to the orders under review. CR at I-6, PR at I-6.

<sup>111</sup> 19 U.S.C. § 1675a(a)(5). Although the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

<sup>112</sup> 19 U.S.C. § 1675a(a)(2).



country, which can be used to produce the subject merchandise, are currently being used to produce other products.<sup>113</sup>

In evaluating the likely price effects of subject imports if an order under review is revoked and/or a suspended investigation is terminated, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared to the domestic like product and whether the subject imports are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of the domestic like product.<sup>114</sup>

In evaluating the likely impact of imports of subject merchandise if an order under review is revoked and/or a suspended investigation is terminated, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to the following: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.<sup>115</sup> All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry. As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the orders under review and whether the industry is vulnerable to material injury upon revocation.<sup>116</sup>

As discussed above, no respondent party participated in these expedited reviews. The record, therefore, contains limited new information with respect to the innersprings industries in China, South Africa, and Vietnam. There is also limited information on the innersprings market in the United States during the period of review. Accordingly, for our determinations, we rely as appropriate on the facts available from the original investigations and the prior reviews and the limited new information in the record in these reviews.

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<sup>113</sup> 19 U.S.C. § 1675a(a)(2)(A–D).

<sup>114</sup> See 19 U.S.C. § 1675a(a)(3). The SAA states that “{c}onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices.” SAA at 886.

<sup>115</sup> 19 U.S.C. § 1675a(a)(4).

<sup>116</sup> The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, the Commission “considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.” SAA at 885.

## **B. Conditions of Competition and the Business Cycle**

In evaluating the likely impact of the subject imports on the domestic industry if an order is revoked, the statute directs the Commission to consider all relevant economic factors “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>117</sup> The following conditions of competition inform our determinations.

### **1. Demand Conditions**

In the original investigations, the Commission found that demand for uncovered innerspring units was directly correlated with demand for the one use for innerspring units, the manufacture of innerspring mattresses. It also observed that demand for innerspring units generally tracked overall economic activity and was tied to housing-related activity. The Commission found that a downturn in the U.S. housing market adversely affected the market for uncovered innerspring units, and that apparent U.S. consumption declined during the period of investigation.<sup>118</sup> In the expedited first five-year reviews, the Commission found that nothing in the record indicated that the factors driving demand for uncovered innerspring units had changed since the original investigations. Reported apparent U.S. consumption of uncovered innerspring units was lower in 2012, during the period of review, than in 2007, during the original period of investigation.<sup>119</sup>

The record in these reviews indicates that demand for uncovered innerspring units continues to be derived from demand for innerspring mattresses, and that demand generally tracks U.S. housing activity and overall economic activity.<sup>120</sup> Leggett asserts that demand for uncovered innerspring units has fallen since 2012, as overall U.S. demand for innerspring mattresses has declined.<sup>121</sup> However, apparent U.S. consumption of \*\*\* uncovered innerspring units in 2018 was greater than that in 2012.<sup>122</sup>

### **2. Supply Conditions**

In the original investigations, the Commission found that the sources of supply in the U.S. market were domestically produced innerspring units, subject imports from China, South

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<sup>117</sup> 19 U.S.C. § 1675a(a)(4).

<sup>118</sup> Original Determinations, USITC Pub. 4051 at 16.

<sup>119</sup> First Review Determinations, USITC Pub. 4459 at 17. The Commission noted, however, that reported apparent U.S. consumption for 2012 was likely understated due to the incomplete domestic industry response to the Commission’s notice of institution. *Id.* at 17 n.86.

<sup>120</sup> Leggett’s Response at 12.

<sup>121</sup> Leggett’s Response at 23. Leggett attributes this putative decline in demand for innerspring mattresses to an increase in demand for non-innerspring mattresses – particularly foam mattresses. *See id.* at 12.

<sup>122</sup> CR/PR at Table I-7.

Africa, and Vietnam, and a relatively small volume of imports from nonsubject countries.<sup>123</sup> The Commission observed that Leggett was the largest U.S. manufacturer of innerspring units.<sup>124</sup> The Commission found that the domestic industry was split into bedding suppliers that produced innerspring units to supply mattress manufacturers, and maker/users that produced innerspring units for internal consumption in the production of finished mattresses.<sup>125</sup>

In the expedited first five-year reviews, the Commission found that the domestic industry furnished the overwhelming share – \*\*\* percent – of apparent U.S. consumption in 2012.<sup>126</sup> The Commission further noted that cumulated subject imports had only a minimal presence in the U.S. market in 2012,<sup>127</sup> while the volume of nonsubject imports was 541,000 units in 2012, accounting for \*\*\* percent of apparent U.S. consumption.<sup>128</sup>

In these reviews, the domestic industry continued to furnish the overwhelming share – \*\*\* percent – of apparent U.S. consumption in 2018.<sup>129</sup> The record indicates that Leggett continues to be the largest domestic producer of uncovered innerspring units.<sup>130</sup> Nonsubject imports were the second largest source of uncovered innerspring units in 2018, with a \*\*\* percent share of apparent U.S. consumption.<sup>131</sup> Cumulated subject imports had only a minimal presence in the U.S. market that year.<sup>132</sup>

### 3. Substitutability and Other Conditions

In the original investigations, the Commission found a high degree of substitutability between domestic innerspring units and cumulated subject imports.<sup>133</sup> The Commission also found the fact that a significant portion of domestic production was captively consumed to be a

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<sup>123</sup> Original Determinations, USITC Pub. 4051 at 17.

<sup>124</sup> Original Investigations, USITC Pub. 4051 at 17.

<sup>125</sup> Original Determinations, USITC Pub. 4051 at 17. Because the domestic industry consumed part of its production of the domestic like product in the production of a downstream article (*i.e.*, innerspring mattresses), the Commission considered whether the statutory captive production provision applied, and concluded that it did not. *See id.* at 15-16.

<sup>126</sup> First Review Determinations, USITC Pub. 4459 at 17; Confidential First Review Determinations at 25.

<sup>127</sup> First Review Determinations, USITC Pub. 4459 at 17.

<sup>128</sup> First Review Determinations, USITC Pub. 4459 at 18; Confidential First Review Determinations at 26.

<sup>129</sup> CR/PR at Table I-8.

<sup>130</sup> Leggett's Response at 2; CR/PR at Table I-1. As stated above, Leggett estimated that it accounted for approximately \*\*\* percent of the production of the domestic like product in 2018.

<sup>131</sup> CR/PR at Table I-8. Cambodia and Thailand were the two leading sources for nonsubject imports in 2018. *See* CR/PR at Table I-6.

<sup>132</sup> CR/PR at Table I-8. Cumulated subject imports accounted for \*\*\* percent of apparent U.S. consumption in 2018. *Id.*

<sup>133</sup> Original Determinations, USITC Pub. 4051 at 18.

relevant condition of competition, notwithstanding that the statutory captive production provision was not applicable.<sup>134</sup> In the expedited first five-year reviews, the Commission continued to find cumulated subject imports and the domestic like product substitutable.<sup>135</sup> In each of the prior proceedings, the Commission found that price was an important factor in purchasing decisions.<sup>136</sup>

The record in these expedited reviews contains no additional information to indicate that either the substitutability between the domestic like product and subject imports or the importance of price has changed since the prior proceedings. Accordingly, we again find that the domestic like product and subject imports from China, South Africa, and Vietnam are highly substitutable, and that price is an important factor in purchasing decisions.

In September 2018, uncovered innerspring units from China entering under three HTSUS subheadings became subject to an additional 10 percent *ad valorem* duty under Section 301 of the Trade Act of 1974<sup>137</sup> (“Section 301 tariffs”).<sup>138</sup> The President escalated the rate of these Section 301 tariffs from 10 to 25 percent *ad valorem* in May 2019.<sup>139</sup>

## C. Likely Volume of Subject Imports

### 1. The Prior Proceedings

In the original investigations, the Commission found that the volume of cumulated subject imports and the increase in that volume were significant.<sup>140</sup> The Commission observed that this increasing subject import volume took market share from the domestic industry over the period of investigation.<sup>141</sup> Additionally, these increases in

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<sup>134</sup> Original Determinations, USITC Pub. 4051 at 16. The Commission found that U.S. producers’ shipments for internal consumption accounted for 20 to 30 percent of total U.S. producers’ shipments over the period of investigation. *Id.* at 17.

<sup>135</sup> First Review Determinations, USITC Pub. 4459 at 22.

<sup>136</sup> Original Determinations, USITC Pub. 4030 at 18; First Review Determinations, USITC Pub. 4459 at 22.

<sup>137</sup> 19 U.S.C. § 2411.

<sup>138</sup> CR at I-9-10, PR at I-8; *China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 Fed. Reg. 47974 (Sep. 21, 2018) (notice of modification of Section 301 Action).

<sup>139</sup> *China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 84 Fed. Reg. 20459 (May 9, 2019) (notice of modification of Section 301 Action).

<sup>140</sup> Original Determinations, USITC Pub. 4051 at 18. Cumulated subject imports increased from \*\*\* units in 2005 to \*\*\* units in 2006, and then decreased to \*\*\* units in 2007. Original Determinations, USITC Pub. 4051 at 18; Confidential Original Determinations at 26.

<sup>141</sup> Original Determinations, USITC Pub. 4051 at 19. The domestic industry’s share of apparent U.S. consumption decreased by \*\*\* percentage points over the period of investigation, from \*\*\* percent in 2005 to \*\*\* percent in 2007. Conversely, cumulated subject imports’ share of apparent U.S. consumption increased by \*\*\* percentage points over the period, from \*\*\* percent in 2005 to \*\*\*

cumulated subject import volume and market share occurred even as apparent U.S. consumption declined.<sup>142</sup>

In the expedited first five-year reviews, the Commission observed that under the discipline of the antidumping duty orders, subject imports were largely absent from the U.S. market. The Commission found, however, that the subject industries in China, South Africa, and Vietnam had the ability and incentive to increase subject imports if the orders were revoked. The Commission noted that the subject industries' estimated capacity was very large on a cumulated basis, that they had substantial excess capacity, and that they were export oriented.<sup>143</sup> The Commission found that the United States remained an attractive market for subject producers. Moreover, the Commission observed that barriers to exports in other markets – specifically, a Canadian antidumping duty order on innerspring units from China – created additional incentive for subject Chinese producers in particular to export innerspring units to the United States if the orders were revoked. In light of these factors, the Commission concluded that the likely volume of cumulated subject imports would be significant if the orders were revoked.<sup>144</sup>

## 2. The Current Reviews

In the current reviews, under the discipline of the antidumping duty orders, cumulated subject imports were absent from the U.S. market in 2013 and 2014, and were present well below their pre-order quantities each year from 2015 to 2018.<sup>145</sup> However, the record indicates that, on a cumulated basis, subject producers have the ability and incentive to export subject merchandise to the U.S. market in significant volumes within a reasonably foreseeable time if the antidumping duty orders were revoked.

There is no new information in the record for the current reviews suggesting any declines in the subject industries' substantial production capacity or excess capacity evident in the original investigations and first reviews. To the contrary, the information available suggests that capacity in the subject countries has increased in light of the growth in the downstream mattress industry in each subject country.<sup>146</sup>

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percent in 2007. See Confidential Original Determinations at 26-27; Original Determinations, USITC Pub. 4051 at 18-19.

<sup>142</sup> Original Determinations, USITC Pub. 4051 at 19.

<sup>143</sup> First Review Determinations, USITC Pub. 4459 at 19.

<sup>144</sup> First Review Determinations, USITC Pub. 4459 at 19-21.

<sup>145</sup> CR/PR at Table I-6; see CR/PR at Table I-7. All reported subject imports during the period of review were from China. CR/PR at Table I-6. As explained previously, Leggett has questioned whether the reported imports from China during the period of review are in fact subject merchandise, noting that the average unit values of these imports are significantly higher than the average unit values of subject merchandise from China imported during the original period of investigation. See Leggett's Response at 14.

<sup>146</sup> Leggett's Response at 18 and ex. 8.

Publicly available export data indicate that the subject industries, viewed collectively, are substantial exporters of the most pertinent category of merchandise.<sup>147</sup> Cumulated global exports from the three subject countries of this category exceeded \$440 million during each year of the period of review, and were \$531.6 million in 2018.<sup>148</sup>

Furthermore, the United States remains a significant export market for subject producers. The available export data show that in 2018 the United States was the largest export market in the world for the most pertinent product category.<sup>149 150</sup>

Based on subject producers' behavior during the original investigations and information available regarding the subject producers' production capacity and exports to the United States, the reappearance of subject imports in the United States despite the orders, and the significance of the United States as an import market, we conclude that the volume of cumulated subject imports, both in absolute terms and relative to U.S. consumption, would likely be significant if the orders were revoked.<sup>151</sup>

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<sup>147</sup> As previously stated, this category, HTSUS subheading 9404.29, includes both subject and out-of-scope merchandise.

<sup>148</sup> CR/PR at Table I-12. These data show that in each year from 2014 to 2018, China was the world's largest exporter merchandise within this category, that exports from Vietnam of products of this category increased every year from 2014 to 2018, and that exports from South Africa of products of this category increased every year from 2016 to 2018. See *id.*

<sup>149</sup> See CR/PR at Tables I-9-11. Leggett also asserts that subject merchandise is currently exported to third countries at average prices well below the price levels for uncovered innerspring units available in the U.S. market. See Leggett's Response at 15. Moreover, Chinese producers' continued interest in the U.S. market is reflected in Commerce's recent anti-circumvention proceeding, in which it concluded in December 2018 that certain innersprings exported from Macau using materials and/or components sourced from China were circumventing the antidumping duty order on uncovered innerspring units from China. See CR at I-7, PR at I-6-7; *Uncovered Innerspring Units from the People's Republic of China: Final Affirmative Determination of Circumvention of the Antidumping Duty Order*, 83 Fed. Reg. 65626 (Dec. 21, 2018).

<sup>150</sup> The record shows that none of the purchasers responding to the Commission's adequacy phase questionnaires reported that the Section 301 tariffs have impacted the conditions of competition for uncovered innerspring units, nor have any reported that they anticipate such an impact in the future. CR/PR at App. D.

<sup>151</sup> Due to the lack of participation by subject producers in these reviews, there is no information available that addresses existing inventories of subject merchandise or the potential for product-shifting by the innersprings industries in China, South Africa, and Vietnam. We also note that uncovered innerspring units are not subject to antidumping or countervailing duty orders in any other country. CR at I-30, PR at I-26. The Canadian antidumping duty order referenced in the first reviews was revoked in March 2014. *Id.*

## D. Likely Price Effects

### 1. The Prior Proceedings

In the original investigations, the Commission found that subject imports undersold the domestic like product in 166 of 180 quarterly comparisons, with margins ranging from 0.8 to 56.1 percent.<sup>152</sup> The Commission found this underselling to be significant in view of the substitutability of domestic and subject innerspring units, and the importance of price in purchasing decisions.<sup>153</sup>

The Commission found that subject imports depressed prices to a significant degree, observing that price declines for the domestic like product in 2005 and 2006 coincided with significant increases in the volume and market share of subject imports.<sup>154</sup> The Commission further found that subject imports suppressed prices to a significant degree, observing that domestic producers were unable to increase prices to cover increases in raw material costs over the period of investigation due to competition with significant volumes of highly substitutable, low-priced subject imports.<sup>155</sup>

In the expedited first five-year reviews, the Commission continued to find subject imports and the domestic like product substitutable, and price to be an important factor in purchasing decisions. In light of these considerations, and the likely significant volume of cumulated subject imports, the Commission found that significant underselling of the domestic like product by subject imports to gain market share was likely, and that the significant volume

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<sup>152</sup> Original Determinations, USITC Pub. 4051 at 21. Because no importer of subject merchandise from South Africa provided usable pricing data, pricing comparisons involved subject imports from China and Vietnam. *Id.*

<sup>153</sup> Original Determinations, USITC Pub. 4051 at 21. The Commission also found relevant that there were 27 confirmed lost sales and four instances of confirmed lost revenues, and that almost all U.S. purchasers responding to the Commission's questions regarding lost sales and lost revenue allegations reported that price was the reason for the shift to subject imports. *Id.*

<sup>154</sup> Original Determinations, USITC Pub. 4051 at 21.

<sup>155</sup> Original Determinations, USITC Pub. 4051 at 21-22. The Commission rejected several respondent arguments concerning price effects. First, the Commission rejected the argument that Leggett's use of long-term contracts prevented subject imports from competing on price for a substantial portion of the U.S. market, noting among other things that such long-term contracts could be renegotiated and did not have fixed prices, and that the majority of sales in the U.S. market were not made by long-term contract. Original Determinations, USITC Pub. 4051 at 22. Second, the Commission rejected the argument that the domestic industry's use of proprietary innerspring designs and patents foreclosed competition by subject imports in a significant portion of the U.S. market, observing that U.S. sales of innersprings covered by proprietary designs or patents were a minority of total U.S. innerspring sales during the period of investigation. *Id.* Finally, the Commission rejected the argument that an aggressive price-cutting strategy by the mattress manufacturer Sealy, and not subject imports, adversely affected innerspring prices, given that the evidence suggested that mattress prices were unlikely to drive innerspring prices. *Id.* at 23.

of low-priced subject imports would likely have significant price-depressing or -suppressing effects on the domestic like product if the antidumping duty orders were revoked.<sup>156</sup>

## **2. The Current Reviews**

As stated above, we continue to find that the domestic like product and subject imports are highly substitutable and that price is an important factor in purchasing decisions. As these reviews have been expedited, the record does not contain new pricing data. We have found, however, that subject import volumes would likely increase significantly upon revocation of the orders. These subject imports would likely significantly undersell the domestic like product, as they did during the original investigations. Because price is important to purchasing decisions and the domestic like product and subject imports are highly substitutable, the presence of significant quantities of subject imports that would likely enter the United States and that would likely undersell the domestic like product would likely force the domestic industry to lower prices, forego price increases, or risk losing market share. In light of these considerations, we conclude that subject imports would likely have significant price effects upon revocation of the orders.

### **E. Likely Impact**

#### **1. The Prior Proceedings**

In the original investigations, the Commission found overall declining trends in the indicia of the domestic industry's performance from 2005 to 2007.<sup>157</sup> Production, production capacity, and U.S. shipments all declined.<sup>158</sup> The Commission likewise observed that the domestic industry's financial indicators, including operating income and the ratio of operating income to net sales, declined substantially over this period.<sup>159</sup> It also found that net sales declined, while cost of goods sold as a share of net sales increased.<sup>160</sup>

While the Commission acknowledged that a decline in consumption had a negative impact on the domestic industry, it nevertheless found that subject imports played a material role in the harm experienced by the domestic industry. Namely, as subject imports grew, they captured an increasing share of a shrinking pie, thereby exacerbating the negative impact of reduced consumption. Accordingly, the

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<sup>156</sup> First Review Determinations, USITC Pub. 4459 at 22.

<sup>157</sup> Original Determinations, USITC Pub. 4051 at 24.

<sup>158</sup> Original Determinations, USITC Pub. 4051 at 24.

<sup>159</sup> Original Determinations, USITC Pub. 4051 at 24-25.

<sup>160</sup> Original Determinations, USITC Pub. 4051 at 25.



Commission concluded that subject imports had a significant impact on the domestic industry.<sup>161</sup>

In the expedited first five-year reviews, the Commission found that, should the orders be revoked, the likely significant volume and price effects of the subject imports would likely have a significant impact on the production, shipments, sales, market share, and revenues of the domestic industry. The Commission found that these declines would likely have a direct adverse impact on the industry's profitability.<sup>162</sup>

Additionally, the Commission considered the role of nonsubject imports, so as not to attribute likely injury from other factors to subject imports. It observed that the increased volume of nonsubject imports since the original investigations had not precluded the domestic industry from reporting better financial performance and a higher market share in 2012 than in 2007. The Commission therefore concluded that subject imports would likely have a significant impact on the domestic industry within a reasonably foreseeable time if the antidumping duty orders were revoked.<sup>163</sup>

## 2. The Current Reviews

In these expedited reviews, the information available on the domestic industry's condition is limited. In 2018, the domestic industry's production capacity was \*\*\* units, its production was \*\*\* units, and its capacity utilization rate was \*\*\* percent.<sup>164</sup> The industry's domestic shipments were \*\*\* units.<sup>165</sup> Its net sales revenue was \$\*\*\*, and its operating income was \$\*\*\*, with an operating income margin of \*\*\* percent.<sup>166</sup> The limited evidence in these expedited reviews is insufficient for us to make a finding on whether the domestic industry is vulnerable to the continuation or recurrence of material injury in the event of revocation of the orders.

Based on the information available in these reviews, we find that revocation of the orders would likely lead to a significant volume of subject imports and that these imports would likely undersell the domestic like product to a significant degree, resulting in significant depression or suppression of prices for the domestic like product and/or a loss of market share for the domestic industry. We find that the increased subject import competition that would

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<sup>161</sup> Original Determinations, USITC Pub. 4051 at 25.

<sup>162</sup> First Review Determinations, USITC Pub. 4459 at 24.

<sup>163</sup> First Review Determinations, USITC Pub. 4459 at 25. Due to the limited evidence on the record of the expedited first five-year reviews, the Commission did not make a determination as to whether the domestic industry was vulnerable. *See id.* at 24.

<sup>164</sup> CR/PR at Table I-5. Domestic industry data from 2012 and 2018 both reflect Leggett's operations, while data from the original investigations reflect a broader industry group and consequently are not fully comparable. Leggett's capacity and production were each higher in 2018 than 2012, although its capacity utilization was lower. *Id.*

<sup>165</sup> CR/PR at Table I-5. These shipments were higher in 2018 than 2012. *Id.*

<sup>166</sup> CR/PR at Table I-5. Sales revenues and operating income were higher in 2018 than 2012, although the operating income margin was lower. *Id.*

likely occur after revocation of the orders would likely have a significant impact on the domestic industry. The domestic industry would likely lose market share to subject imports and/or experience lower prices due to competition from subject imports, which would adversely impact its production, shipments, sales, and revenue. These reductions would likely have a direct adverse impact on the domestic industry's profitability and employment levels, as well as its ability to raise capital and make and maintain necessary capital investments.

We have also considered the role of factors other than subject imports, including the presence of nonsubject imports, so as not to attribute likely injury from other factors to the subject imports. Nonsubject imports have decreased since the first review.<sup>167</sup> Moreover, there is no indication or argument on this record that the presence of nonsubject imports would prevent subject imports from China, South Africa, and Vietnam from significantly increasing their presence in the U.S. market in the event of revocation of the orders. Given the high degree of substitutability between the subject imports and the domestic like product, and the fact that the domestic industry supplies the overwhelming majority of the U.S. market, the likely increase in subject imports upon revocation would likely take appreciable market share from the domestic industry. Therefore, the subject imports are likely to have adverse effects on the domestic industry, distinct from any adverse effects nonsubject imports may have on the domestic industry, in the event of revocation.

Accordingly, we find that revocation of the antidumping duty orders on uncovered innerspring units from China, South Africa, and Vietnam would likely have a significant impact on domestic producers of uncovered innerspring units within a reasonably foreseeable time.

## **V. Conclusion**

For the reasons above, we determine that revocation of the antidumping duty orders on uncovered innerspring units from China, South Africa, and Vietnam would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

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<sup>167</sup> Nonsubject imports totaled 541,000 units in 2012 and 375,000 units in 2018. See CR/PR at Table I-7.

## INFORMATION OBTAINED IN THESE REVIEWS

### BACKGROUND

On March 1, 2019, the U.S. International Trade Commission (“Commission”) gave notice, pursuant to section 751(c) of the Tariff Act of 1930, as amended (“the Act”),<sup>1</sup> that it had instituted reviews to determine whether revocation of antidumping duty orders on uncovered innerspring units (“uncovered innersprings”) from China, South Africa, and Vietnam would likely lead to the continuation or recurrence of material injury to a domestic industry.<sup>2</sup> All interested parties were requested to respond to this notice by submitting certain information requested by the Commission.<sup>3</sup> <sup>4</sup> The following tabulation presents information relating to the background and schedule of this proceeding:

Effective date	Action
March 1, 2019	Notice of institution by Commission (84 FR 7126)
March 1, 2019	Notice of initiation by Commerce (84 FR 7021)
June 4, 2019	Commission’s vote on adequacy
July 1, 2019	Commerce’s results of its expedited reviews
September 27, 2019	Determinations and views to Commerce

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<sup>1</sup> 19 U.S.C. 1675(c).

<sup>2</sup> *Uncovered innersprings from China, South Africa, and Vietnam; Institution of Five-Year Reviews*, 84 FR 7126, March 1, 2019. In accordance with section 751(c) of the Act, the U.S. Department of Commerce (“Commerce”) published a notice of initiation of a five-year review of the subject antidumping and countervailing duty orders. *Initiation of Five-Year (Sunset) Reviews*, 84 FR 7021, March 1, 2019. Pertinent *Federal Register* notices are referenced in app. A, and may be found at the Commission’s website ([www.usitc.gov](http://www.usitc.gov)).

<sup>3</sup> As part of their response to the notice of institution, interested parties were requested to provide company-specific information. That information is presented in app. B. Summary data compiled in prior proceedings is presented in app. C.

<sup>4</sup> Interested parties were also requested to provide a list of three to five leading purchasers in the U.S. market for the subject merchandise. Presented in app. D are the responses received from purchaser surveys transmitted to the purchasers identified in the adequacy phase of this review.

**Responses to the Commission’s Notice of Institution  
Individual responses**

The Commission received one submission in response to its notice of institution in the subject reviews. It was filed on behalf of Leggett & Platt (“Leggett”), a domestic producer of uncovered innersprings (referred to herein as “domestic interested party”)

A complete response to the Commission’s notice of institution requires that the responding interested party submit to the Commission all the information listed in the notice. Responding firms are given an opportunity to remedy and explain any deficiencies in their responses. A summary of the number of responses and estimates of coverage for each is shown in table I-1.

**Table I-1  
Uncovered innersprings: Summary of responses to the Commission’s notice of institution**

Type of interested party	Completed responses	
	Number	Coverage
Domestic:		
U.S. producer	1	***% <sup>1</sup>

<sup>1</sup> In its response to the notice of institution, the domestic interested party estimated that it accounts for this share of total U.S. production of uncovered innerspring units during 2018. The domestic interested party’s response to the notice of institution, April 1, 2019, p. 23.

**Party comments on adequacy**

The Commission received one submission from parties commenting on the adequacy of responses to the notice of institution and whether the Commission should conduct an expedited or full review. The submission was filed on behalf of the domestic interested party, Leggett.

The domestic interested party submits that its substantive response to the notice of institution is adequate on an individual and group basis, as it responded to each of the items specified in the notice and it accounts for approximately \*\*\* percent of U.S. production of uncovered innersprings. The domestic interested party argues that the Commission should find the respondent interested party group response to be inadequate since there was no submission by any respondent interested party. In light of the inadequate respondent interested party group response and the fact that there have been no major changes in the conditions of competition in the market since the Commission’s last five-year reviews, the domestic interested party requests that the Commission conduct expedited reviews of the antidumping duty orders on uncovered innersprings from China, South Africa and Vietnam.<sup>5</sup>

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<sup>5</sup> Domestic interested party’s comments on adequacy, May 1, 2019, pp. 2 and 4.

## THE ORIGINAL INVESTIGATION AND SUBSEQUENT REVIEWS

### The original investigation

The original investigations resulted from a petition filed on December 31, 2007 with Commerce and the Commission by Leggett. On October 21, 2008, Commerce determined that imports of uncovered innersprings from South Africa and Vietnam were being sold at less-than-fair-value (“LTFV”).<sup>6</sup> On December 4, 2008, the Commission determined that the domestic industry was materially injured by reason of LTFV imports of uncovered innersprings from South Africa and Vietnam.<sup>7</sup> As a result of affirmative determinations from the Commission and Commerce, antidumping duty orders on uncovered innersprings from South Africa and Vietnam were issued by Commerce on December 11, 2008.<sup>8</sup> On December 29, 2008, Commerce determined that imports of innersprings from China were being sold at LTFV.<sup>9</sup> On February 11, 2009, the Commission issued its determination that an industry in the United States was material injured by reason of LTFV imports of uncovered innersprings from China.<sup>10</sup> Subsequently, Commerce issued an antidumping duty order on uncovered innersprings from China on February 19, 2009.<sup>11</sup>

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<sup>6</sup> *Notice of Final Determination of Sales at Less Than Fair Value: Uncovered Innerspring Units from South Africa*, 73 FR 62481, October 21, 2008 and *Uncovered Innerspring Units from the Socialist Republic of Vietnam: Notice of Final Determination of Sales at Less Than Fair Value*, 73 FR 62479, October 21, 2008.

<sup>7</sup> *Uncovered Innerspring Units from South Africa and Vietnam: Determination*, 73 FR 75132, December 10, 2008.

<sup>8</sup> *Antidumping Duty Order: Uncovered Innerspring Units From South Africa*, 73 FR 75390, December 11, 2008 and *Antidumping Duty Order: Uncovered Innerspring Units From the Socialist Republic of Vietnam*, 73 FR 75391, December 11, 2008.

<sup>9</sup> *Uncovered Innerspring Units from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 79443, December 29, 2008.

<sup>10</sup> *Uncovered Innerspring Units from China: Determination*, 74 FR 7704, February 19, 2009.

<sup>11</sup> *Uncovered Innerspring Units from the People's Republic of China: Notice of Antidumping Duty Order*, 74 FR 7661, February 19, 2009.

## The first five-year reviews

On February 4, 2014, the Commission determined that it would conduct expedited reviews of the antidumping duty orders on uncovered innersprings from China, South Africa, and Vietnam.<sup>12</sup> On March 10, 2014, Commerce published its determination that revocation of the antidumping duty orders on uncovered innersprings from China, South Africa, and Vietnam would be likely to lead to continuation or recurrence of dumping.<sup>13</sup> On April 7, 2014, the Commission notified Commerce of its determination that revocation of the orders would likely lead to continuation or recurrence of material injury within a reasonably foreseeable time.<sup>14</sup> Following affirmative determinations in the five-year reviews by Commerce and the Commission, effective, April 23, 2014, Commerce issued a continuation of the antidumping duty orders on imports of uncovered innersprings from China, South Africa, and Vietnam.<sup>15</sup> Table I-2 presents the weighted-average dumping margins calculated by Commerce in its original investigations and the likely dumping margins Commerce determined in the first five-year reviews.

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<sup>12</sup> *Scheduling of Expedited Five-Year Reviews Concerning the Antidumping Duty Orders on Uncovered Innerspring Units from China, South Africa, and Vietnam*, 79 FR 11466, February 28, 2014.

<sup>13</sup> *Uncovered Innerspring Units From the People's Republic of China, South Africa, and Socialist Republic of Vietnam: Final Results of the Expedited Sunset Reviews the Antidumping Duty Orders*, 79 FR 13277, March 10, 2014.

<sup>14</sup> *Uncovered Innerspring Units from China, South Africa, and Vietnam*, 79 FR 20230, April 11, 2014.

<sup>15</sup> *Uncovered Innerspring Units from the People's Republic of China, South Africa, and Socialist Republic of Vietnam: Continuation of Antidumping Duty Orders*, 79 FR 22624, April 23, 2014.

**Table I-2  
Uncovered Innersprings: Commerce's original and five-year weighted-average dumping margins by firm**

<b>Producer/Exporter</b>	<b>Original investigations (percent)</b>	<b>First five-year reviews (percent)</b>
<b>China:</b>		
Anshan Yuhua Industrial Trade Co., Ltd.	164.75	164.75
East Grace Corporation (Exporter);	164.75	164.75
Foshan Jingxin Steel Wire & Spring Co., Ltd.	234.51	234.51
Hebei Yililan Furniture Co., Ltd.	164.75	164.75
Nanjing Meihua Import & Export Trade Co., Ltd.	164.75	164.75
Xilinmen Group Co., Ltd.	164.75	164.75
Zhejiang Sanmen Herod Mattress Co., Ltd.	164.75	164.75
Zibo Senbao Furniture Co., Ltd.	164.75	164.75
PRC-wide (including High Hope Int'l Group Jiangsu Native Produce Imp. Exp. Corp. Ltd. and Jiangsu Soho International Group Holding Co., Ltd.)	234.51	234.51
<b>South Africa:</b>		
Bedding Component Manufacturers (Pty) Ltd.	121.39	121.39
All Others	121.39	121.39
<b>Vietnam:</b>		
Vietnam-wide Rate	116.31	116.31

Source: 74 FR 7661 (China), February 19, 2009, 73 FR 75390 (South Africa), December 11, 2008, and 73 FR 75391 (Vietnam), December 11, 2008, and 79 FR 13277, March 10, 2014.

### **PREVIOUS AND RELATED INVESTIGATIONS**

In 2004, the Commission conducted a China-specific safeguard investigation of uncovered innersprings from China. In that investigation, the Commission determined that uncovered innersprings from China were not being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products. The petitioning firms in that investigation were Atlas Spring Manufacturing, Gardena, CA; Hickory Springs, Hickory, NC; Leggett & Platt, Carthage, MO; and Joseph Saval Spring & Wire Co., Inc., Taylor, MI.<sup>16 17</sup>

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<sup>16</sup> *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1141-1142 (Final)*, USITC Publication 4051, December 2008, p. I-4.

## ACTIONS AT COMMERCE

Commerce has not conducted any changed circumstances reviews or critical circumstances reviews since the completion of the last five-year reviews. In addition, Commerce has not issued duty absorption findings or any company revocations since the imposition of the orders. However, Commerce has issued two scope determinations since the imposition of the orders. Commerce has also conducted two circumvention proceedings since the last five-year reviews.

### Scope rulings

Commerce has completed two scope rulings concerning the antidumping duty order on imports of uncovered innersprings from China. Table I-3 presents these rulings.

**Table I-3**  
**Uncovered Innersprings: Commerce's scope rulings**

Requestor	Product to be excluded	Commerce ruling	Federal Register cite
Wickline Bedding Enterprises	Premium and standard unfinished bed mattresses	Granted	77 FR 9983, February 21, 2012
No Boundaries LLC	Fabric encased upholstery coil units	Denied	77 FR 32568, June 1, 2012

Source: Cited Federal Register Notices.

### Anti-circumvention findings

On November 30, 2015, Commerce published its final determination finding that uncovered innersprings completed or assembled in Malaysia by Goldon Bedding Manufacturing

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(...continued)

<sup>17</sup> On September 18, 2018, a petition was filed with the Commission and Commerce, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of mattresses from China. The petitioning firms were Corsicana Mattress Company, Dallas, Texas; Elite Comfort Solutions, Newnan, Georgia; Future Foam Inc., Council Bluffs, Iowa; FXI, Inc., Media, Pennsylvania; Innocor, Inc., Red Bank, New Jersey; Kolcraft Enterprises Inc., Chicago, Illinois; Leggett & Platt, Incorporated, Carthage, Missouri; Serta Simmons Bedding, LLC, Atlanta, Georgia; and Tempur Sealy International, Inc., Lexington, Kentucky. *Mattresses from China, Investigation No. 731-TA-1424 (Preliminary)*, USITC Publication 4842, November 2018, p. I-1.

On November 2, 2018, the Commission made a preliminary determination that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of mattresses from China that are alleged to be sold in the United States at LTFV. *Mattresses from the People's Republic of China: Preliminary Determination*, 83 FR 55910, November 8, 2018.

Commerce is currently scheduled to issue its preliminary determination no later than May 28, 2019. *Mattresses from the People's Republic of China: Postponement of Preliminary Determination in the Less-Than-Fair-Value Investigation*, 84 FR 12198, April 1, 2019.



Sdn. Bhd. (“Goldon”) using components from China, and exported to the United States, were circumventing the antidumping duty order on innerspring units from China.<sup>18</sup> Further, on December 21, 2018, Commerce determined that certain imports of uncovered innersprings exported from Macau, using materials and/or components sourced from China were circumventing the anti-dumping duty order on innersprings from China.<sup>19</sup>

### **Current five-year reviews**

Commerce is conducting expedited reviews with respect to uncovered innersprings from China, South Africa and Vietnam and intends to issue the final results of these reviews based on the facts available not later than July 1, 2019.<sup>20</sup>

## **THE PRODUCT**

### **Commerce’s scope**

In its antidumping orders, Commerce has defined the subject merchandise as:

Uncovered innersprings composed of a series of individual metal springs joined together in sizes corresponding to the sizes of adult mattresses (e.g., twin long, full, full long, queen California king, and king) and units used in smaller constructions, such as crib and youth mattresses. All uncovered innersprings are included in this scope regardless of width and length. Included within this definition are innersprings typically ranging from 30.5 inches to 76 inches in width and 68 inches to 84 inches in length. Innersprings for crib mattresses typically range from 25 inches to 27 inches in width and 50 inches to 52 inches in length.

Uncovered innersprings are suitable for use as the innerspring component in the manufacture of innerspring mattresses, including mattresses that incorporate a foam encasement around the innerspring.

Pocketed and non-pocketed innerspring units are included in this definition. Non-pocketed innersprings are typically joined together with helical wire and border rods. Non-pocketed innersprings are included in this definition regardless of whether they have border rods attached to the perimeter of the innerspring. Pocketed innersprings are individual coils covered by a “pocket” or

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<sup>18</sup> *Uncovered Innerspring Units from the People's Republic of China: Affirmative Final Determination of Circumvention of the Antidumping Duty Order*, 80 FR 74758, November 30, 2015

<sup>19</sup> *Uncovered Innerspring Units From the People's Republic of China: Final Affirmative Determination of Circumvention of the Antidumping Duty Order*, 83 FR 65626, December 21, 2018

<sup>20</sup> *Letter from Edward Yang, Director, AD/CVD Operations, Enforcement and Compliance, U.S. Department of Commerce to Nannette Christ*, April 22, 2019.

“sock” of a nonwoven synthetic material or woven material and then glued together in a linear fashion.<sup>21</sup>

### Tariff Treatment<sup>22</sup>

Uncovered innersprings are currently imported under Harmonized Tariff Schedule of the United States (“HTSUS” or “HTS”) statistical reporting numbers 9404.29.9005, 9404.29.9013, and 9404.29.9050 at a general rate of duty of 6.0 percent *ad valorem*.<sup>23</sup> The subject merchandise may also be reported under the following HTS statistical reporting numbers: 9404.10.0000, 7326.20.0090, 7320.20.5010, or 7320.90.5010. The column 1-general rate of duty is “Free” for HTS 9404.10.00, but 3.9 percent *ad valorem* for HTS 7326.20.00 and 7320.20.50; and 2.9 percent *ad valorem* for HTS 7320.90.50. Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

### Sections 232 and 301 tariff treatment

HTS subheadings 9404.29.90, 9404.10.00, 7320.20.50, 7320.90.50, and 7326.20.00 were not included in the enumeration of iron and steel articles subject to the additional 25-percent *ad valorem* national-security duties under Section 232 of the *Trade Expansion Act of 1962*, as amended.<sup>24</sup>

However, HTS subheadings 9404.29.90, 9404.10.00, 7320.90.50, and 7326.20.00 became subject to an additional initial 10-percent *ad valorem* duty (annexes A and C of 83 FR 47974), under Section 301 of the *Trade Act of 1974*.<sup>25</sup> Escalation of this duty to 25-percent *ad valorem* on May 9, 2019 and HTS subheadings 9404.29.90, 9404.10.00, 7320.90.50, and 7326.20.00 became subject to an additional 25-percent *ad valorem* duty, up from the original 10-percent additional duty.<sup>26</sup>

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<sup>21</sup> *Antidumping Duty Order: Uncovered Innerspring Units From South Africa*, 73 FR 75390, December 11, 2008, *Antidumping Duty Order: Uncovered Innerspring Units From the Socialist Republic of Vietnam*, 73 FR 75391, December 11, 2008, and *Uncovered Innerspring Units from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 79443, December 29, 2008.

<sup>22</sup> *HTSUS (2019) Revision 3*, USITC Publication 4890, April 2019, pp. 73-34, 73-40, and 94-12.

<sup>23</sup> HTS statistical reporting number 9404.29.9011 was removed, effective January 1, 2016, and replaced by HTS 9404.29.9013 (Of a width exceeding 91 cm, of a length exceeding 184 cm, and of a depth exceeding 8 cm) and 9404.29.9050 (Other). *HTSUS (2016) Basic Edition*, USITC Publication 4588, March 2016, Change of Record, pp. 7-8.

<sup>24</sup> *Adjusting Imports of Steel into the United States*, Presidential Proclamation 9705, March 8, 2018, 83 FR 11625, March 15, 2018.

<sup>25</sup> *Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 FR 47974, September 21, 2018.

<sup>26</sup> *Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 84 FR 20459, May 9, 2019.

## Description and uses<sup>27</sup>

Uncovered innersprings are used to manufacture innerspring mattresses. There are two main varieties of innerspring units: non-pocketed (e.g., Bonnell Springs and Continuous Coils) and pocketed (figure I-1).

**Figure I-1**

### Innersprings: Non-pocketed spring coils compared to pocketed spring coils



Note.—The Bonnell Spring and Continuous Coil pictured above are examples of non-pocketed coils.

Source: Beds-on-line.co.za, [beds-on-line.co.za/spring-mattress-vs-foam-mattress](http://beds-on-line.co.za/spring-mattress-vs-foam-mattress), retrieved March 27, 2019.

### Non-pocketed innerspring units

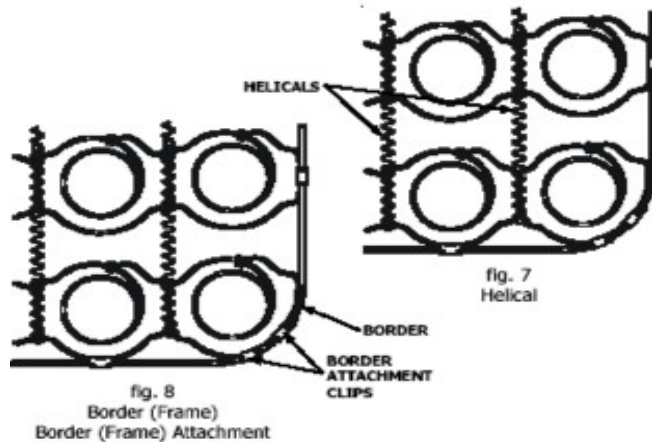
Non-pocket innerspring units have three major components: the innerspring coil, the helical, and the border. Innerspring coils, “generally made from high-carbon steel rod that is drawn to wire of various gauges (i.e., diameter of wire) that typically range from 12.5 gauge (2.05 mm) to 15.5 gauge (1.45 mm),” are typically joined together with the helical and the border. The helical is “generally made of high-carbon steel wire ranging in thickness of 16.5 gauge (1.29 mm) to 18 gauge (1.02 mm),” and it is bent into a tight spiral and used to lace the individual or continuous coils together (figure I-2). The border is a wire typically made of high-carbon steel “ranging in thickness of 6 gauge (4.11 mm) to 9 gauge (2.91 mm),” is either “attached to the perimeter of the unit using a metal clip or ring, or it can be sewn into the unit using a large diameter helical.” All non-pocketed innerspring units have a helical wire, but not all non-pocketed innerspring units have the wire borders.

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<sup>27</sup> The information in this section of the report is derived from *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1140-1142 (Final)*, USITC Publication 4051, December 2008, pp. I-11-12.

**Figure I-2**

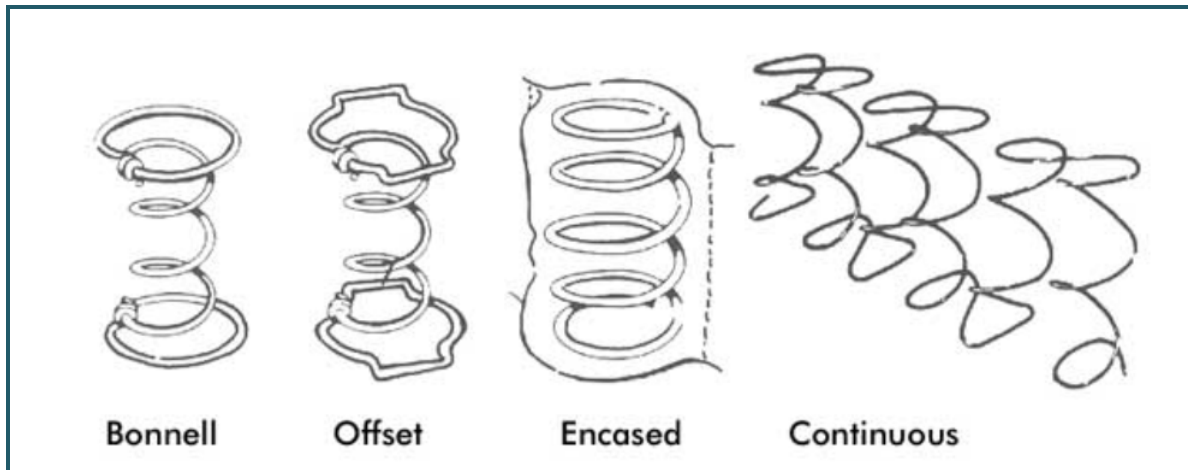
**Innersprings: Formation of innerspring units using helicals and border**



Source: *Uncovered innersprings from South Africa and Vietnam, Investigation Nos. 731-TA-1140- 1142 (Final)*, USITC Publication 4051, December 2008, figure I-1.

Non-pocketed coils include the Bonnell, offset, and continuous varieties. Bonnell coils are the most commonly used type in the market. These coils have an hour-glass shape, which tapers inward from top to center and then outward from center to bottom (figure I-3), with a round, knotted head. Bonnell coils are generally the lowest-priced innerspring units and are the type of coil used in virtually all imported innerspring units. Offset coils, also known as Karr coils have an hour-glass shape like Bonnells, but their convolutions have flat tops and bottoms. Additionally, these coils have a squared head, which is typically knotted. A subset of offset coils is the Left Facing Knot (“LFK”) coil. LFK coils have a squared and un-knotted head and have a cylindrical or columnar shape. Offset coil systems usually produce less noise because they are constructed with a hinge-like rounded top and bottom. These are often found in higher-end luxury brand mattresses. Continuous coils have entire rows of continuous coils formed from a single piece of wire. These coils commonly have a high coil count, but use less steel and a much thinner diameter wire. Continuous coils are S-shaped and can run vertically or horizontally. This feature is different from the Bonnell and offset coils (including LFK), where individual coils are formed then assembled into a row of coils.

**Figure I-3**  
**Innersprings: Types of coils**



Note.—With the exception of the “encased” coil, all others illustrated above are different types of non-pocketed coils.

Source: Furninfo.com, <https://www.furninfo.com/furniture-world-articles/3393>, retrieved March 27, 2019.

### **Pocketed innerspring units**

Pocketed Innerspring units manufactured from pocketed coils include “individual coils of steel wire that are covered by non-woven synthetic material and then held together by gluing together a specific number of coils,” which are then assembled to the size of the innerspring unit (figure I-3). Pocketed coils are also known as Marshall coils, wrapped coils, or encased coils and are thin-diameter, with individual coils that generally have a cylindrical shape and are knotless and inserted into a fabric “pocket” (see figure I-3 and figure I-4). Pocketed coils are used in mattresses to reduce movement on a bed because the springs are not wired together, which makes them more independent from its neighboring spring.

**Figure I-4**  
**Innersprings: Pocketed coils**



Source: *Uncovered innersprings from South Africa and Vietnam, Investigation Nos. 731-TA-1140-1142 (Final)*, USITC Publication 4051, December 2008, figure I-3.

## Manufacturing process<sup>28</sup>

Non-pocketed and pocketed innerspring units are manufactured using a similar production process. In the first stage, high-carbon steel rod is drawn into wire.<sup>29</sup> The rod is pulled through a series of dies until the desired diameter and tensile strength are attained.

In the next stage, the wire is fed into a machine by means of steel feed wheels, which push the wire against a pin that is controlled by a mechanical cam that bends the wire into a spiraled coil. The spiraled coil is then moved mechanically to a knotting station for processing. The finished coil is either automatically fed into an assembly machine or manually placed into a container or another machine. The coils are fed into an assembler where they are held in a fixture that allows the helical to lace a specific number of coils together. The assembler will then index the completed row of coils in preparation for the next row to be fed and attached. Once the desired size is reached, the assembled coils are ejected from the machine.

To form the border, heavy-gauge wire is mechanically straightened, cut to length, and then bent, either manually or mechanically, into a rectangular shape. The ends of the wire are either welded or held together using a metal ring. The border is attached to the assembled coils using a metal clip, metal ring, or large-diameter helical. Finally, the innerspring is often tempered according to manufacturer or customer requirements in tempering ovens although some manufacturers electrically temper innersprings during the forming process. Tempering allows the formed wire to retain its shape and removes the stresses set during the manufacturing process.

For pocketed innerspring units, individual coils are inserted into non-woven fabric “pockets.” The individual coils are then assembled into the size that corresponds to the final mattress and glued together.

The production process of an innerspring unit can be automatic, semi-automatic, and/or manual. Production in the United States is mostly automated, or on fully automated innerspring production equipment (coiling, knotting, heat treating of coils, and assembly of the final innerspring unit). In a semi-automatic production process, a machine will form and knot the coil and heat treat the coils. Manual labor is then required to feed coils into assembly machines that insert the helical wire along the top and bottom of the coil unit as well as fasten the border to the coils by lacing steel wire around the perimeter of the border to the outermost coils. In the manual innerspring manufacturing process, machines are used to form the coil and knot the coil, but heat treatment is performed in an oven after the innerspring unit is formed. Manual labor is used to lace helical wires through the coils as well as fastening the border of the innerspring unit.

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<sup>28</sup> The information in this section of the report is derived from *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1140-1142 (Final)*, USITC Publication 4051 December 2008, pp. I-11-12.

<sup>29</sup> This wire is sometimes purchased from suppliers and sometimes produced by the innerspring manufacturers themselves.

## THE INDUSTRY IN THE UNITED STATES

### U.S. producers

In the original investigations, eight firms were known to be U.S. producers. They were: (1) Dixie Bedding/King Koil, (2) Eastern Sleep Products Co., Inc. (“Eastern”),<sup>30</sup> (3) HSM, (4) Leggett, (5) Sealy, (6) Simmons, (7) Spring Co., Inc., and (8) Texas Pocket Springs. These eight firms’ questionnaire responses were believed to account for all U.S. production of uncovered innersprings during January 2005-March 2008. Sealy has since been acquired by Tempur-Pedic, a leading specialty (non-innerspring) mattress producer, which changed its name to Tempur Sealy International.<sup>31</sup>

During the first five-year reviews, the Commission received an individually adequate response to the notice of institution from one firm, Leggett, which accounted for approximately \*\*\* percent of production of uncovered innersprings in the United States during 2012.<sup>32</sup>

In response to the Commission’s notice of institution in these current reviews, the domestic interested party provided a list of 36 known and currently operating U.S. producers of uncovered innersprings, many of which are “maker users.”<sup>33</sup> This list includes many small U.S. producers of innersprings, as well as \*\*\*.

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<sup>30</sup> In the original investigations, \*\*\*. *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1140-1142 (Final)*, Staff Report, INV-FF-144, November 10, 2008. \*\*\* remains in business as a mattress manufacturer.

<sup>31</sup> *Investigation Nos. 731-TA-1140-1142 (First Review): Uncovered Innerspring Units from China, South Africa, and Vietnam --- Staff Report*, INV-MM-015, March 6, 2014, p. I-18.

<sup>32</sup> *Investigation Nos. 731-TA-1140-1142 (First Review): Uncovered Innerspring Units from China, South Africa, and Vietnam --- Staff Report*, INV-MM-015, March 6, 2014, p. I-19.

<sup>33</sup> The uncovered innerspring industry in the United States is comprised of two groups of manufacturers: (1) bedding suppliers that produce innersprings to supply mattress manufacturers and (2) maker/users that produce innersprings for internal consumption in the production of finished mattresses. Maker/users may buy innersprings from other U.S. producers at certain times to supplement their own production. Leggett’s Response to the Commission’s Notice of Institution, April 1, 2019, p.22 and Exh. 4.

## Recent developments

The following recent developments have occurred in the innerspring unit industry:

**Table I-4**  
**Innersprings: Important industry events**

Year	Company	Event
2018	Leggett & Platt	<b>Restructuring:</b> Laggett cut at least 158 jobs from a plant in Lexington, Kentucky. The plant primarily makes metal bed components for the retail bed industry.
	HSM	<b>Expansion:</b> Hickory Springs Mattress expanded its coiling operations in Phoenix, Arizona, which will enable the company to expand production in support of its growth strategy.

Source: *Bedtimes Magazine* news articles, news articles from other sources, and company websites.

## U.S. producers' trade and financial data

The Commission requested the domestic interested party to provide trade and financial data in its response to the notice of institution of the five-year reviews of the subject orders. Table I-5 presents a compilation of the data submitted from the responding U.S. producer as well as trade and financial data submitted by U.S. producers in the original investigations and prior five-year reviews.

According to Leggett and responding purchasers, many key conditions of competition in the U.S. have remained largely unchanged since the most recent five-year reviews. Demand for uncovered innersprings is largely derived from downstream products such as innerspring mattresses, which generally tracks US housing and general economic activity.<sup>34</sup> According to Leggett, driven by increased housing growth and GDP growth, mattress demand has increased since the last five-year reviews. However, an increased consumer preference for foam mattresses put a downward pressure on uncovered innerspring demand.<sup>35</sup>

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<sup>34</sup> *Uncovered Innerspring Units from China, South Africa, and Vietnam Investigation Nos. 731-TA-1140-1142 (Review)*, USITC Publication 4459, April 2014, p. 16.

<sup>35</sup> App. D of this report and Leggett's response to the notice of institution, April 1, 2019, p. 12



**Table I-5  
Uncovered innersprings: Trade and financial data submitted by U.S. producers, 2007, 2012, and 2018**

Item	2007	2012	2018
Capacity (1,000 units)	24,113	***	***
Production (1,000 units)	19,019	***	***
Capacity utilization (percent)	78.9	***	***
Total U.S. shipments:			
Quantity (1,000 units)	***	***	***
Value (\$1,000)	***	***	***
Unit value (dollars per unit)	***	***	***
Net sales (\$1,000)	534,965	***	***
COGS (\$1,000)	452,966	***	***
COGS/net sales (percent)	84.7	***	***
Gross profit or (loss) (\$1,000)	81,999	***	***
SG&A expenses (loss) (\$1,000)	43,932	***	***
Operating income/(loss) (\$1,000)	38,067	***	***
Operating income (loss)/net sales (percent)	7.1	***	***

Source: Data for 2007 and 2012 are derived from reports in the Commission's original investigations and five-year reviews. See *app. C*. Because of differences in industry coverage, 2007 and 2012 data are not fully comparable. Data for 2018 are derived from the domestic interested party's response to the notice of institution. The domestic interested party's response to the notice of institution, April 1, 2019, Exhibit. 3.

#### **DEFINITIONS OF THE DOMESTIC LIKE PRODUCT AND DOMESTIC INDUSTRY**

The domestic like product is defined as the domestically produced product or products which are like, or in the absence of like, most similar in characteristics and uses with, the subject merchandise. The domestic industry is defined as the U.S. producers as a whole of the domestic like product, or those producers whose collective output of the domestic like product constitutes a major proportion of the total domestic production of the product. Under the related parties provision, the Commission may exclude a related party for purposes of its injury determination if "appropriate circumstances" exist.<sup>36</sup>

In its original determination, the Commission defined a single domestic like product consisting of uncovered innersprings, coextensive with the scope of the investigations.<sup>37</sup>

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<sup>36</sup> Section 771(4)(B) of the Tariff Act of 1930, 19 U.S.C. § 1677(4)(B).

<sup>37</sup> *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1141-1142 (Final)*, USITC Publication 4051, December 2008, p. 6. In the original investigations, there was no dispute on how to define the domestic like product. *Ibid.*

The Commission adopted the same domestic like product definitions in the first reviews.<sup>38</sup> In its notice of institution for these reviews, the Commission solicited comments from interested parties regarding the appropriate domestic like product and domestic industry. In its response to the notice of institution, Leggett states it agrees with the like product definition the Commission adopted in the prior proceedings.<sup>39</sup>

In its original determinations and its prior five-year review determinations, the Commission defined the domestic industry as all U.S. producers of the domestic like product. In the original investigations, two domestic producers, \*\*\* and \*\*\*, were related parties because they imported subject merchandise during the period of investigation. The Commission found that appropriate circumstances did not exist to exclude them from the domestic industry, because the evidence indicated that their interests lay more in domestic production than in importation.<sup>40</sup> In the first reviews, the Commission found that there were no related party issues.<sup>41</sup>

In its response to the notice of institution, Leggett stated that the domestic industry should be defined as it was in the prior proceedings.<sup>42</sup> It indicates it is not a related party because it does not import subject merchandise, and its affiliated producers in China and South Africa do not export such merchandise to the United States.<sup>43</sup>

## **U.S. IMPORTS AND APPARENT U.S. CONSUMPTION**

### **U.S. importers**

In the original investigations, the Commission received U.S. importer questionnaires from 23 firms that were believed to account for \*\*\* percent of U.S. imports from China, \*\*\* percent from South Africa, \*\*\* percent from Vietnam, and \*\*\* percent from nonsubject sources when compared to official Commerce statistics. Of the 23 firms, 21 reported U.S. imports from China, one reported U.S. imports from South Africa, and one reported U.S. imports from Vietnam.<sup>44</sup>

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<sup>38</sup> *Uncovered Innerspring Units from China, South Africa, and Vietnam*, Inv. Nos. 731-TA-1140-1142 (Review), USITC Publication 4459, April 2014, p. 6.

<sup>39</sup> Leggett's Response to the notice of institution, April 1, 2019, p. 24.

<sup>40</sup> *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1141-1142 (Final)*, USITC Publication 4051, December 2008, pp. 6-8.

<sup>41</sup> *Uncovered Innerspring Units from China, South Africa, and Vietnam*, Inv. Nos. 731-TA-1140-1142 (Review), USITC Publication 4459, April 2014, p. 6.

<sup>42</sup> Leggett's response to the notice of institution, April 1, 2019, p. 24.

<sup>43</sup> Leggett's response to the notice of institution, April 1, 2019, p. 3.

<sup>44</sup> *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1140-1142 (Final)*, Staff Report, INV-FF-144, November 10, 2008, p. IV-1.

Although the Commission did not receive responses from any respondent interested parties in its first five-year reviews, the domestic interested party provided a list of four<sup>45</sup> firms that may have been importing uncovered innersprings into the United States.<sup>46</sup> The Commission also did not receive responses from any respondent interested parties in the current reviews. In its response to the Commission's notice of institution, the domestic interested party provided a list of five<sup>47</sup> known current or former U.S. importers of uncovered innersprings.

### **U.S. imports**

Table I-6 presents the quantity, value, and unit value for imports from China, South Africa, and Vietnam, as well as the other top sources of U.S. imports. Leggett observed that the volume of U.S. imports of innersprings from China, South Africa, and Vietnam sharply decreased following the imposition of antidumping duties in 2008. Imports from South Africa and Vietnam have been virtually nonexistent since the imposition of the orders and there have only been low levels of imports from China, with the exception of 2017. Imports from China were larger in 2017 than previous years, but still far below pre-order levels.<sup>48</sup>

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<sup>45</sup> These firms were: (1) Jiangsu Powyard Sports Equipment Co.; (2) Babys Dream Furniture, Inc.; (3) East Grace Tech Corp.; and (4) Pacific Sales, Inc. Leggett's Response to the notice of institution, December 2, 2013, p. 3 and exh. 9.

<sup>46</sup> Leggett's Response to the Commission's Notice of Institution, December 2, 2013, p. I-19 and exh. 9. Leggett conceded that because official U.S. import statistics indicated no U.S. imports from subject countries, it was unsure whether these four firms had been importing subject merchandise. *Ibid.* at p. I-19.

<sup>47</sup> These firms are: \*\*\*. Leggett's response to the notice of institution, April 1, 2019, exh. 5.

<sup>48</sup> Leggett's response to the notice of institution, April 1, 2019, p.4.

**Table I-6**  
**Uncovered innersprings: U.S. imports, 2013-2018**

Item	2013	2014	2015	2016	2017	2018
	Quantity (units)					
China	0	0	55	131,976	331,606	124,118
South Africa	0	0	0	0	0	0
Vietnam	0	0	0	0	0	0
Subtotal, subject	0	0	55	131,976	331,606	124,118
Cambodia	116,148	16,541	1,680	188,248	121,315	134,921
Thailand	0	0	0	21,453	54,064	68,235
All other imports (nonsubject)	4,648	6,778	4,993	124,866	135,997	171,839
Subtotal, nonsubject	120,796	23,319	6,673	334,567	311,376	374,995
Total imports	120,796	23,319	6,728	466,543	642,982	499,113
	Landed, duty-paid value (\$1,000)					
China	0	0	33	6,692	20,768	8,527
South Africa	0	0	0	0	0	0
Vietnam	0	0	0	0	0	0
Subtotal, subject	0	0	33	6,692	20,768	8,527
Cambodia	1,872	203	12	2,800	1,914	2,505
Thailand	0	0	0	312	924	1,079
All other imports (nonsubject)	57	203	86	2,688	3,049	4,393
Subtotal, nonsubject	1,930	406	98	5,800	5,887	7,978
Total imports	1,930	406	131	12,492	26,655	16,505
	Unit value (dollars per unit)					
China	0	0	601.69	50.71	62.63	68.70
South Africa	0	0	0	0	0	0
Vietnam	0	0	0	0	0	0
Subtotal, subject	0	0	601.69	50.71	62.63	68.70
Cambodia	16.12	12.27	7.24	14.87	15.77	18.57
Thailand	0	0	0	14.56	17.08	15.81
All other imports (nonsubject)	12.37	30.01	17.23	21.53	22.42	25.57
Subtotal, nonsubject	15.97	17.43	14.71	17.34	18.91	21.27
Total imports	15.97	17.43	19.51	26.78	41.45	33.07

Note.--Because of rounding, figure may not add to total shown.

Note.--Imports from Macau have been included in imports from China.

Source: Official statistics of Commerce for HTS statistical reporting numbers 9404.29.9005, 9404.29.9013 and 9404.29.9050.

## Apparent U.S. consumption and market shares

Table I-7 presents data on U.S. producers' U.S. shipments, U.S. imports, and apparent U.S. consumption, while table I-8 presents data on U.S. market shares of U.S. apparent consumption.

**Table I-7**  
**Uncovered innersprings: U.S. producers' U.S. shipments, U.S. imports, and apparent U.S. consumption, 2007, 2012, and 2018**

Item	2007	2012	2018
	<b>Quantity (1,000 units)</b>		
U.S. producers' U.S. shipments	18,412	***	***
U.S. imports from--			
China	***	***	124
South Africa	***	***	0
Vietnam	***	***	0
Nonsubject sources	25	541	375
Total imports	2,496	548	499
Apparent U.S. consumption	***	*** <sup>1</sup>	***
	<b>Value (1,000 dollars)</b>		
U.S. producers' U.S. shipments	513,855	***	***
U.S. imports			
China	***	***	8,527
South Africa	***	***	0
Vietnam	***	***	0
Nonsubject sources	390	13,103	7,978
Total imports	43,762	13,305	16,505
Apparent U.S. consumption	***	***	***

<sup>1</sup> As originally presented. U.S. producers' U.S. shipment value miscalculated.

Source: Data for 2007 and 2012 concerning domestic industry U.S. shipments are derived from reports in the Commission's original investigations and five-year reviews. See *app. C*. Because of differences in industry coverage, 2007 and 2012 data are not fully comparable. Data for 2018 concerning domestic industry shipments are derived from the domestic interested party's response to the notice of institution. Import data are based on official Commerce statistics (HTS statistical reporting numbers 9404.29.9005, 9404.29.9013 and 9404.29.9050).

**Table I-8**  
**Uncovered innersprings: Apparent U.S. consumption and U.S. market shares, 2007, 2012, and 2018**

Item	2007	2012	2018
	<b>Quantity (1,000 units)</b>		
Apparent U.S. consumption	***	***	***
	<b>Value (1,000 dollars)</b>		
Apparent U.S. consumption	***	***	***
	<b>Share of consumption based on quantity (percent)</b>		
U.S. producer's share	88.1	***	***
U.S. imports from--			
China	***	***	***
South Africa	***	***	***
Vietnam	***	***	***
All other sources	0.1	***	***
Total imports	11.9	***	***
	<b>Share of consumption based on value (percent)</b>		
U.S. producers' share	92.2	***	***
U.S. imports from--			
China	***	***	***
All other sources	***	***	***
Total imports	***	***	***

<sup>1</sup> Less than 0.01 percent.

Source: Data for 2007 and 2012 concerning domestic industry U.S. shipments are derived from reports in the Commission's original investigations and five-year reviews. See *app. C*. Because of differences in industry coverage, 2007 and 2012 data are not fully comparable. Data for 2018 concerning domestic industry shipments are derived from the domestic interested party's response to the notice of institution. Import data are based on official Commerce statistics (HTS statistical reporting numbers 9404.29.9005, 9404.29.9013 and 9404.29.9050).

## THE INDUSTRY IN CHINA

In the original investigations, the petition listed 24 firms (4 owned by Leggett) believed to be producing uncovered innersprings in China. The Commission received foreign producer questionnaire responses from five firms; (1) Zhaoyuan Soft Furniture Co.; (2) Leggett & Platt Bedding Group, (3) Beijing Building Materials Import & Export Co., Ltd.; (4) Zhejiang Shaoxing Huaweimei Furniture Co., Ltd.; and, (5) Zouping Shunhe Furniture Co., Ltd. The five responding producers in China reported a capacity of approximately \*\*\* units.<sup>49</sup> These firms reported exports to the United States that were equivalent to 6.7 percent of reported U.S. imports of innersprings from China in 2007. Leggett identified 25 Chinese producers/exporters of uncovered innersprings.<sup>50</sup> Although the Commission did not receive responses from any respondent interested parties in its first five-year reviews, the domestic interested parties provided a list of 25 firms that they believed produced uncovered innersprings in China. Although the Commission did not receive responses from any respondent interested parties in these current five-year reviews, the domestic interested parties provided a list of 24 firms that they believe currently produce uncovered innersprings in China.<sup>51</sup> The growth of the innerspring industry in China can be inferred from growth in the industry that purchases uncovered innersprings, the mattress industry. The domestic interested parties stated that the Chinese mattress industry increased its production from 53 million mattresses in 2012 to 72 million mattresses in 2017, a 35.9 percent increase. Further, global exports of mattresses from China increased from \$408 million in 2008 to \$1.1 billion in 2017, an increase of 169 percent.<sup>52</sup> Table I-9 presents export data for uncovered innersprings from China in descending order of quantity for 2018.

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<sup>49</sup> *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1140-1142 (Final)* --- Staff Report, INV-FF-144, November 10, 2008, p. VII-2.

<sup>50</sup> Leggett's Response to the Commission's Notice of Institution, December 2, 2013, exh. 10.

<sup>51</sup> Leggett's response to the notice of institution, April 1, 2019, exh. 6.

<sup>52</sup> Leggett's response to the notice of institution, April 1, 2019, p. 18; \*\*\*.

**Table I-9**  
**Uncovered innersprings: Exports from China, by destination, 2014-18**

Item	Calendar year				
	2014	2015	2016	2017	2018
<b>Value (1,000 dollars)</b>					
United States	97,121	102,663	86,423	95,614	113,839
Japan	133,713	115,966	116,557	91,965	94,237
Australia	53,296	47,421	41,567	35,222	42,968
Thailand	9,238	13,724	13,949	14,747	26,052
United Kingdom	19,719	19,277	21,246	21,853	25,560
Hong Kong	10,782	11,224	7,498	17,687	17,782
Vietnam	1,641	2,558	2,635	9,800	16,505
Korea South	16,605	20,885	20,689	15,862	12,821
Canada	17,966	14,328	9,385	10,574	10,715
Malaysia	9,532	8,787	8,427	6,295	9,160
All other	130,368	85,470	61,952	70,530	74,010
Total	499,981	442,302	390,329	390,151	443,649

Note.--Because of rounding, figures may not add to totals shown.

Source: HIS Markit Global Trade Atlas database, HS subheading 9404.29, accessed April 10, 2019.  
 Export figures may include product excluded from the scope of these reviews.



## THE INDUSTRY IN SOUTH AFRICA

In the original investigations, the petition listed four South African firms believed to be producing innersprings. Two firms (\*\*\*) provided data and accounted for 100 percent of exports to the United States in 2007. Although the Commission did not receive responses from any respondent interested parties in its first five-year reviews, the domestic interested party provided a list of four firms that it believed produced uncovered innersprings in South Africa.<sup>53</sup>

Although the Commission also did not receive responses from any respondent interested parties in these current five-year reviews, the domestic interested party provided a list of four firms that it believes currently produce uncovered innersprings in South Africa.<sup>54</sup> Leggett cites mattress production as a surrogate for trends in uncovered innerspring production. It asserts that in recent years, the South African mattress industry has seen an uneven growth trajectory. Mattress production rose from \$68 million in 2008 to \$100 million in 2012, before falling to \$71 million in 2017. Mattress exports from South Africa to all sources have followed a similar pattern rising from \$2 million in 2008 to \$17 million in 2011, before falling to \$13 million in 2017.<sup>55</sup> Table I-10 presents export data for uncovered innersprings from South Africa in descending order of quantity for 2018.

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<sup>53</sup> *Uncovered Innerspring Units from China, Vietnam, and South Africa, Inv. Nos. 731-TA-1140-1142 (First Review)*, USITC Publication 4459, April 2014, p. I-18

<sup>54</sup> Leggett's response to the notice of institution, April 1, 2019, exh. 6; this figure also includes \*\*\* which does not export from China to the United States.

<sup>55</sup> Leggett's response to the notice of institution, April 1, 2019, p. 19

**Table I-10  
Uncovered innersprings: Exports from South Africa, by destination, 2014-18**

Item	Calendar year				
	2014	2015	2016	2017	2018
<b>Value (1,000 dollars)</b>					
United States	1,122	750	624	2,182	3,950
Japan	6,513	4,878	1,678	2,865	3,185
Australia	2,126	2,497	2,184	2,450	2,667
Thailand	1,015	896	909	1,228	1,909
United Kingdom	1,271	863	1,027	1,128	1,343
Hong Kong	419	299	300	310	395
Vietnam	543	81	78	77	259
Korea South	105	232	216	244	238
Canada	369	599	490	419	220
Malaysia	117	49	139	111	184
All other	1,321	1,044	1,499	1,237	635
Total	14,922	12,188	9,144	12,251	14,986

Note.--Because of rounding, figures may not add to totals shown.

Source: HIS Markit Global Trade Atlas database, HS subheading 9404.29, accessed April 10, 2019. Export figures may include product excluded from the scope of these reviews.

### **THE INDUSTRY IN VIETNAM**

In the original investigations, the petition listed eight firms believed to be producing uncovered innersprings in Vietnam. \*\*\*, the only responding firm, reported exports to the United States equivalent to \*\*\* percent of U.S. imports of uncovered innerspring from Vietnam in 2007. \*\*. In its response to the Commission's notice of institution of the first reviews, Leggett listed 11 firms that it believed produced uncovered innersprings in Vietnam. The Commission did not receive any responses to the notice of institution from foreign producers or exporters in Vietnam and no public sources existed to provide contemporaneous information on Vietnam's capacity and production of uncovered innersprings during the first five-year review period.

Although the Commission also did not receive responses from any respondent interested parties in these current five-year reviews, the domestic interested party provided a list of 10 firms it they believes currently produce uncovered innersprings in Vietnam.<sup>56</sup> Leggett

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<sup>56</sup> Leggett's response to the notice of institution, April 1, 2019, exh. 6.

again cites mattress production as a surrogate for trends in uncovered innerspring production. It states that the value of mattress production in Vietnam has increased steadily from \$54 million in 2008 to \$133 million in 2017, an increase of over 146 percent. Mattress exports from Vietnam to all sources also increased over this period, from \$11 million in 2008 to \$75 million in 2017, an increase of almost 582 percent. In addition, mattress exports as a percentage of production reached 56 percent in 2017.<sup>57</sup> Table I-11 presents export data for uncovered innersprings from Vietnam in descending order of quantity for 2017 (latest available).

**Table I-11**  
**Uncovered innersprings: Exports from Vietnam, by destination, 2014-18**

Item	Calendar year				
	2014	2015	2016	2017	2018
<b>Value (1,000 dollars)</b>					
United States	5,770	15,631	30,893	38,863	53,494
Japan	499	959	2,793	6,106	7,979
Australia	1,483	1,525	1,483	1,183	1,619
Thailand	2,556	2,859	2,258	1,353	1,417
United Kingdom	27	791	1,244	1,699	1,324
Hong Kong	534	624	961	464	1,220
Vietnam	268	360	1,237	1,118	1,049
Korea South	2	7	405	592	776
Canada	260	292	591	591	619
Malaysia	710	657	562	571	617
All other	2,519	2,581	1,302	1,262	2,878
Total	14,628	26,286	43,729	53,802	72,992

Note.--Because of rounding, figures may not add to totals shown.

Source: HIS Markit Global Trade Atlas database, HS subheading 9404.29, accessed April 10, 2019. Export figures may include product excluded from the scope of these reviews.

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<sup>57</sup> Leggett's response to the notice of institution, April 1, 2019, p. 18.

## ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

Based on available information, uncovered innersprings from China, South Africa, and Vietnam are not subject to any antidumping or countervailing duty investigations outside the United States. Antidumping duties on imports of mattress innerspring units from China were imposed by Canada in 2009 until their revocation in March 2014.<sup>58</sup>

### THE GLOBAL MARKET<sup>59</sup>

Table I-12 presents the largest global exporters, in value terms, of uncovered innersprings. The largest exporters by value in 2018 were, in descending order, China, Poland, Portugal, Netherlands, Belgium, and the United States. China's value share of total global exports of uncovered innerspring unit products was 18.8 percent in 2018. The United States was the sixth-largest exporter, accounting for 4.0 percent of global value exports. Since 2014, the total value of global exports has increased by 13.4 percent, while exports by the United States have increased 36.7 percent over this period.

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<sup>58</sup> CBSA, "Anti-Dumping Injury Injuries, Expiries, Orders and Reasons-Final, Mattress Innerspring Units," <http://www.citt-tcce.gc.ca/en/node/6408>, (accessed March 21, 2019).

<sup>59</sup> Export and import quantities are not available because some countries report unit quantities, while others report net weight.

**Table I-12**  
**Uncovered innersprings: Global exports by country, 2014-18**

Exporter	Calendar year				
	2014	2015	2016	2017	2018
	<b>Value (1,000 dollars)</b>				
China	499,981	442,302	390,329	390,151	443,649
South Africa	14,922	12,188	9,144	12,251	14,986
Vietnam	14,628	26,286	43,729	53,802	72,992
Poland	257,892	244,449	248,015	285,516	316,768
Portugal	91,934	89,874	104,326	115,637	115,757
Netherlands	64,306	65,921	87,295	94,392	107,729
Belgium	97,858	83,134	88,248	96,801	100,782
United States	68,442	84,883	87,654	83,996	93,575
Germany	84,719	77,846	79,388	87,777	89,911
Turkey	61,324	61,461	56,531	68,310	88,590
All other	823,859	753,575	823,032	866,993	914,384
Total	2,079,865	1,941,919	2,017,691	2,155,626	2,359,123
	<b>Share of value (percentage)</b>				
China	24.0	22.8	19.3	18.1	18.8
South Africa	0.7	0.6	0.5	0.6	0.6
Vietnam	0.7	1.4	2.2	2.5	3.1
Poland	12.4	12.6	12.3	13.2	13.4
Portugal	4.4	4.6	5.2	5.4	4.9
Netherlands	3.1	3.4	4.3	4.4	4.6
Belgium	4.7	4.3	4.4	4.5	4.3
United States	3.3	4.4	4.3	3.9	4.0
Germany	4.1	4.0	3.9	4.1	3.8
Turkey	2.9	3.2	2.8	3.2	3.8
All other	39.6	38.8	40.8	40.2	38.8
Total	100.0	100.0	100.0	100.0	100.0

Source: HIS Markit Global Trade Atlas database, HS subheading 9404.29, accessed April 10, 2019. Export figures may include product excluded from the scope of this review.

Table I-13 presents the largest global importers, in value terms, of uncovered innersprings. The largest importers by value in 2018 were, in descending order, the United States, Germany, France, Japan, Australia, the Netherlands, and the United Kingdom. The United States was the largest importer, accounting for 15.2 percent of the value of total global imports. Since 2014, the total value of global imports has increased by almost 30.0 percent, while imports by the United States have increased by nearly 125.8 percent.

**Table I-13**  
**Uncovered innersprings: Global imports by country, 2014-18**

Importer	Calendar year				
	2014	2015	2016	2017	2018
	<b>Value (1,000 dollar)</b>				
United States	151,892	183,768	217,798	265,107	342,951
Germany	177,290	159,625	148,059	177,496	184,077
France	140,138	125,877	161,613	146,128	172,217
Japan	121,154	119,644	127,085	141,561	159,454
Netherlands	60,858	58,738	84,322	105,705	109,576
Australia	83,509	84,994	81,410	93,928	108,212
United Kingdom	69,044	83,344	93,787	94,821	107,548
Canada	61,138	64,511	65,461	70,962	79,450
Switzerland	66,029	61,536	68,907	71,315	71,913
Sweden	74,047	53,733	57,492	58,274	61,697
All other	736,450	683,126	703,666	767,973	863,712
<b>Total</b>	<b>1,741,548</b>	<b>1,678,897</b>	<b>1,809,601</b>	<b>1,993,271</b>	<b>2,260,807</b>
	<b>Share of value (percent)</b>				
United States	8.7	10.9	12.0	13.3	15.2
Germany	10.2	9.5	8.2	8.9	8.1
France	8.0	7.5	8.9	7.3	7.6
Japan	7.0	7.1	7.0	7.1	7.1
Netherlands	3.5	3.5	4.7	5.3	4.8
Australia	4.8	5.1	4.5	4.7	4.8
United Kingdom	4.0	5.0	5.2	4.8	4.8
Canada	3.5	3.8	3.6	3.6	3.5
Switzerland	3.8	3.7	3.8	3.6	3.2
Sweden	4.3	3.2	3.2	2.9	2.7
All other	42.3	40.7	38.9	38.5	38.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: HIS Markit Global Trade Atlas database, HS subheading 9404.29, accessed April 10, 2019.  
 Import figures may include product excluded from the scope of this review.

**APPENDIX A**

***FEDERAL REGISTER NOTICES***





The Commission makes available notices relevant to its investigations and reviews on its website, [www.usitc.gov](http://www.usitc.gov). In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
84 FR 7126 March 1, 2019	<i>Uncovered Innerspring Units From China, South Africa, and Vietnam; Institution of Five-Year Reviews</i>	<a href="https://www.govinfo.gov/content/pkg/FR-2019-03-01/pdf/2019-03452.pdf">https://www.govinfo.gov/content/pkg/FR-2019-03-01/pdf/2019-03452.pdf</a>
84 FR 7021 March 1, 2019	<i>Uncovered Innerspring Units From China, South Africa, and Vietnam; Initiation of Five-Year (Sunset) Reviews</i>	<a href="https://www.govinfo.gov/content/pkg/FR-2019-03-01/pdf/2019-02587.pdf">https://www.govinfo.gov/content/pkg/FR-2019-03-01/pdf/2019-02587.pdf</a>



**APPENDIX B**  
**COMPANY-SPECIFIC DATA**



**RESPONSE CHECKLIST FOR U.S. PRODUCERS**

Item	Leggett & Platt, Inc.
	Quantity=1,000 pounds; value=1,000 dollars
Nature of operation	✓
Statement of intent to participate	✓
Statement of likely effects of revoking the order	✓
U.S. producer list	✓
U.S. importer/foreign producer list	✓
List of 3-5 leading purchasers	✓
List of sources for national/regional prices	?
<b>Production:</b>	
Quantity	***
Percent of total reported	***
Capacity	***
<b>Commercial shipments:</b>	
Quantity	***
Value	***
<b>Internal consumption/transfers to related firms:</b>	
Quantity	***
Value	***
Net sales	***
COGS	***
Gross profit or (loss)	***
SG&A expenses (loss)	***
Operating income/(loss)	***
Changes in supply/demand	***
<p><b>Note.—The production, capacity, and shipment data presented are for calendar year 2018. The financial data are for fiscal year ended December 31, 2018.</b></p> <p>✓ = response provided; * = response not provided; NA = not applicable; ? = indicated that the information was not known.</p>	



**APPENDIX C**

**SUMMARY DATA COMPILED FROM PRIOR PROCEEDINGS**





**Table C-1**  
**Innersprings: Summary data concerning the U.S. market, 2005-07, January-June 2007, and January-June 2008**

(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2005	2006	2007	January-June		2005-07	2005-06	2006-07	Jan.-June 2007-08
				2007	2008				
U.S. consumption quantity:									
Amount . . . . .	22,339	21,593	20,907	10,613	10,302	-6.4	-3.3	-3.2	-2.9
Producers' share (1) . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Importers' share (1):									
China . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
South Africa . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Vietnam . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Subtotal . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
All other sources . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Total imports . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
U.S. consumption value:									
Amount . . . . .	604,246	570,998	557,617	281,284	288,839	-7.7	-5.5	-2.3	2.7
Producers' share (1) . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Importers' share (1):									
China . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
South Africa . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Vietnam . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Subtotal . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
All other sources . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Total imports . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
U.S. shipments of imports from:									
China:									
Quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Ending inventory quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
South Africa:									
Quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Ending inventory quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Vietnam:									
Quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Ending inventory quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Subtotal:									
Quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Ending inventory quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
All other sources:									
Quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Ending inventory quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
All sources:									
Quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Ending inventory quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****

Table continued on next page.

Table C-1--Continued

Innersprings: Summary data concerning the U.S. market, 2005-07, January-June 2007, and January-June 2008

(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2005	2006	2007	January-June		2005-07	2005-06	2006-07	Jan.-June 2007-08
				2007	2008				
U.S. producers:									
Average capacity quantity . . . . .	26,797	24,230	24,113	12,281	13,271	-10.0	-9.6	-0.5	8.1
Production quantity . . . . .	20,968	19,719	19,019	10,030	10,012	-9.3	-6.0	-3.6	-0.2
Capacity utilization (1) . . . . .	78.2	81.4	78.9	81.7	75.4	0.6	3.1	-2.5	-6.2
U.S. shipments:									
Quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Export shipments:									
Quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Ending inventory quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Inventories/total shipments (1) . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Production workers . . . . .	2,820	2,826	2,970	3,086	2,878	5.3	0.2	5.1	-6.7
Hours worked (1,000s) . . . . .	5,746	5,689	6,000	3,090	2,882	4.4	-1.0	5.5	-6.7
Wages paid (\$1,000s) . . . . .	80,081	80,320	87,088	44,684	42,611	8.7	0.3	8.4	-4.6
Hourly wages . . . . .	\$13.94	\$14.12	\$14.51	\$14.46	\$14.78	4.1	1.3	2.8	2.2
Productivity (units per hour) . . . . .	3.6	3.5	3.2	3.2	3.5	-13.1	-5.0	-8.6	7.0
Unit labor costs . . . . .	\$3.82	\$4.07	\$4.58	\$4.46	\$4.26	19.9	6.6	12.4	-4.5
Net sales:									
Quantity . . . . .	20,825	19,616	19,147	9,881	9,855	-8.1	-5.8	-2.4	-0.3
Value . . . . .	592,106	547,081	534,965	272,369	283,791	-9.7	-7.6	-2.2	4.2
Unit value . . . . .	\$28.43	\$27.89	\$27.94	\$27.57	\$28.80	-1.7	-1.9	0.2	4.5
Cost of goods sold (COGS) . . . . .	462,896	459,009	452,966	229,307	236,158	-2.1	-0.8	-1.3	3.0
Gross profit or (loss) . . . . .	129,210	88,072	81,999	43,062	47,633	-36.5	-31.8	-6.9	10.6
SG&A expenses . . . . .	38,077	37,061	43,932	21,962	23,441	15.4	-2.7	18.5	6.7
Operating income or (loss) . . . . .	91,133	51,011	38,067	21,100	24,192	-58.2	-44.0	-25.4	14.7
Capital expenditures . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit COGS . . . . .	\$22.23	\$23.40	\$23.66	\$23.21	\$23.96	6.4	5.3	1.1	3.3
Unit SG&A expenses . . . . .	\$1.83	\$1.89	\$2.29	\$2.22	\$2.38	25.5	3.3	21.4	7.0
Unit operating income or (loss) . . . . .	\$4.38	\$2.60	\$1.99	\$2.14	\$2.45	-54.6	-40.6	-23.5	15.0
COGS/sales (1) . . . . .	78.2	83.9	84.7	84.2	83.2	6.5	5.7	0.8	-1.0
Operating income or (loss)/ sales (1) . . . . .	15.4	9.3	7.1	7.7	8.5	-8.3	-6.1	-2.2	0.8

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

**Table C-2**

**Innersprings: Summary data concerning the U.S. merchant market, 2005-07, January-June 2007, and January-June 2008**

\* \* \* \* \*



**APPENDIX D**  
**PURCHASER QUESTIONNAIRE RESPONSES**



As part of their response to the notice of institution, interested parties were asked to provide a list of three to five leading purchasers in the U.S. market for the domestic like product. A response was received from a domestic interested party and it named the following five firms as the top purchasers of uncovered innersprings: \*\*\*. Purchaser questionnaires were sent to these five firms and two firms (\*\*\*) provided responses, which are presented below.

1. Have there been any significant changes in the supply and demand conditions for uncovered innersprings that have occurred in the United States or in the market for uncovered innersprings in China, South Africa, and/or Vietnam since January 1, 2014?

Purchaser	Yes / No	Changes that have occurred
***	***	***
***	***	***

2. Do you anticipate any significant changes in the supply and demand conditions for uncovered innersprings in the United States or in the market for uncovered innersprings in China, South Africa, and/or Vietnam within a reasonably foreseeable time?

Purchaser	Yes / No	Changes that have occurred
***	***	***
***	***	***

