

House Committee on Ways and Means

Statement of John D. Bassett, III Chairman and Chief Executive Officer, Vaughan-Bassett Furniture Company, Galax, Virginia

Testimony Before the Subcommittee on Trade
of the House Committee on Ways and Means

February 15, 2007

Mr. Chairman, Mr. Herger, and Members of the Subcommittee:

Good morning. My name is John D. Bassett. I am the Chairman of Vaughan-Bassett Furniture Company, headquartered in Galax, Virginia. Vaughan-Bassett was founded by my family in 1919. We employ over 1,000 workers at our furniture plants in Galax, Virginia and Elkin, North Carolina. I am also the Chairman of the American Furniture Manufacturers Committee For Legal Trade. The Committee For Legal Trade has 22 member companies that produce bedroom furniture in the United States. I am testifying today on behalf of Vaughan-Bassett and the Committee For Legal Trade.

Beginning in about 2001, U.S. imports of wooden bedroom furniture from China began to flood the U.S. market. In most cases, the Chinese producers did not offer anything new; they simply copied furniture styles that were already successful in the U.S. market and offered them at much lower prices. Furniture became China's number one export to the United States, measured by the number of containers shipped. As a result, our industry lost enormous sales and a large share of our market to cheap imports from China.

In 2003, we learned for the first time that a trade remedy law -- the antidumping law -- was available to combat unfairly priced imports. We formed the Committee for Legal Trade and filed an antidumping petition against imports of wooden bedroom furniture from China in October 2003. Because of the Commerce Department's long-standing practice not to apply the countervailing duty law to non-market economy countries, we did not file a countervailing duty petition against Chinese government subsidies.

In our antidumping case, the U.S. International Trade Commission investigated the impact of dumped imports from China during January 2001-June 2004. During that period, imports from China, having a landed value of about \$3.8 billion, contributed to the closing of over 65 U.S. furniture factories that made bedroom furniture and that employed over 18,000 workers. The Commission made a unanimous determination in late 2004 that our industry was materially injured as a result of dumped imports from China, and an antidumping order was imposed in January 2005.

Although the Commerce Department determined in its investigation that imports from China were being dumped, the dumping margins it calculated were disappointing. The average dumping margin, and resulting antidumping duty, was only about 7 percent. That duty has certainly helped, but it has not come close to offsetting the amount by which the Chinese prices undercut our prices. Also, the antidumping duty has done nothing to offset the subsidies granted by the Chinese government to its furniture industry.

Since filing our antidumping petition, we have learned that Chinese subsidies for furniture makers include numerous tax breaks for exporters, for companies located in specially designated economic development zones, and for the purchase of machinery. Other subsidies include free-land use to attract

investment, reduced duties on material inputs, and monetary incentives provided as part of an export promotion program. Input suppliers such as lumber companies also receive substantial subsidies, including more than \$3 billion in grants in 2001-2004, low-cost and even interest free loans, debt forgiveness, and numerous tax breaks. These subsidies to upstream suppliers are particularly important because China does not enjoy any natural competitive advantage in timber, but the Chinese government has decided to create advantages by funding the development of fast-growth forests and processing facilities.

Mr. Chairman, wooden furniture is made from lumber, which comes from trees. The Chinese government owns the land where the trees grow, owns many of the mills which produce the lumber, and owns many of the factories that produce the furniture. It subsidizes the operations that it does not own. In addition, the Chinese government manipulates and undervalues its currency, giving its furniture exporters a 30-40 percent price advantage on top of all of the other subsidies.

These government preferences allow Chinese furniture producers to sell their products at extremely low prices, resulting in injury to U.S. furniture makers and U.S. workers. As a businessman, it makes no sense to me that the U.S. government would not apply all available trade remedies to imports from China. Giving China a free pass when it comes to subsidizing their export-oriented industries is neither good trade policy nor good economics, especially when the U.S. trade deficit with China is at record levels.

The American Furniture Manufacturers Committee for Legal Trade and Vaughan-Bassett Furniture urge this Committee to make sure that Commerce applies the countervailing duty law to China and to do all that it can to make our trade laws stronger to address dumped and subsidized imports from China.