



Understanding the Application for Upholstery Tariff Protection

January 2021

The Objective

Create a level playing field between Canadian upholstery manufacturers and imports.

What is the complaint?

The complaint targets both China and Vietnam since they are essentially a shared production platform with the same producers and sources of supply. Both have authoritarian governments that intervene in the marketplace.

Production is shifting to Vietnam, often by the same companies, using the same supply lines to evade US tariffs. Therefore, the complaint applies to both countries.

The two categories are:

- 1. Dumping** – This refers to market practices where exporters sell below costs plus a reasonable amount of profit. This is not defined as their cost but what cost should be in a situation where there was no artificial government intervention.
- 2. Countervail** – These are based on subsidies to exporters that are not permissible under international trade law. These are policies that can include national ownership of an industry. A good example is steel. Much of the industry is government-owned and operates at a loss. Consequently, it provides steel at below global market costs and prices – creating an artificial advantage.

What is the objective of the complaint?

The Canadian manufacturers involved in the complaint, Palliser, El Ran, Jaymar, Fornirama, EQ3, do not seek to prevent imports and do not receive a monetary benefit from a tariff. The objective is for Canadian manufacturers to compete on a level playing field with imports.

A difference in labor costs is not considered in the tariff decision. The focus is on materials and other costs that are artificially reduced by government actions.

Competition should be based on differences in design, quality, service and effective manufacturing rather than subsidies and government policies that artificially lower material and operating costs, therefore lowering the overall product price.

The Situation in Canada

The CBSA (Canadian Border Services Agency) has estimated using its own data that Canadian production represents only 19% of the supply of the products covered by the current tariff complaint. This number has declined by 60% or more over the last 15 years. Without intervention, it is expected the percentage will continue to decline.

A successful investigation will promote the growth of Canadian manufacturers, increasing jobs for Canadians across the country. It will also reduce the gap in retail pricing between imports and products manufactured in Canada. Preserving the Canadian value proposition and defending jobs is at the heart of this application. A healthy and growing upholstery industry within Canada improves design, technology and innovation.

Please send your signed response to:

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