

Missouri, Illinois firms lose jobs, sales due to lax customs enforcement



By Robert Koenig, Beacon Washington correspondent

Posted 5:05 pm Thu., 5.5.11

WASHINGTON - When Missouri-based Leggett & Platt Inc., found that cheap Chinese imports were cutting into its bedspring sales, the company got a federal "anti-dumping" order to lower Chinese sales by imposing duties that could double their price.

That, at least, was the theory. But soon after the U.S. anti-dumping duties were imposed in 2007, Chinese firms found a way to get around them: shipping the bedsprings via other Asian countries and then to U.S. markets under false claims of origin.

"We have developed evidence that, each year, over a million innersprings subject to the anti-dumping order are imported into the U.S. without paying duties of up to 234 percent," Leggett & Platt chief operating officer Karl G. Glassman told a U.S. Senate panel Thursday.

In the case of innersprings alone, such illegal shipments that are undetected by the U.S. agencies that are supposed to enforce the anti-dumping regimens cost the government an estimated \$60 million a year, Glassman says, and eliminates the jobs of about 60 full-time workers in this country.

The experience of Leggett & Platt, the world's largest and one of the nation's oldest (since 1883) manufacturers of innersprings, represents just the tip of the iceberg in terms of U.S. companies hurt by the government's lax enforcement of anti-dumping laws.

That's a conclusion of the Senate Finance subcommittee on international trade, customs and global competitiveness, whose staff identified several cases of apparent fraud by creating a fictitious import company that asked for help in avoiding U.S. import duties.

"While [U.S.] agencies are dragging their feet to enforce our trade laws, this country's domestic manufacturers are being hammered by foreign trade cheats,"

said the panel's chairman, Sen. Ron Wyden, D-Ore. He contends that the cheaters "disappear long before the so-called government watchdogs arrive."

MISSOURI, ILLINOIS FIRMS AMONG THOSE HIT BY TRANSSHIPMENT FRAUD

The laxity in enforcing trade duties is hurting a number of industries in Missouri and Illinois, ranging from innersprings to steel nails to rectangular pipe and tubes.

Both of Missouri's U.S. senators, Democrat Claire McCaskill and Republican Roy Blunt (right), testified at Thursday's hearing that they were frustrated by the lack of enforcement by the agencies of the Commerce Department and the Homeland Security Department's Immigrations and Customs Enforcement (ICE) office.



"Missouri jobs are at stake here," said McCaskill, citing companies in the state that have been affected. "We are complicit in allowing our federal government to ignore laws that are doing more harm in my state, in terms of job creation, than many other things that we spend more time on" to try to create work.

Aside from Leggett & Platt, McCaskill (right) mentioned the case of Alabama-based M&B Metal Products, a maker of steel-wire coat hangers that had to close a plant in western Missouri because Chinese imports were flooding the market despite an antidumping duty. The firm has estimated that more than \$50 million a year in uncollected U.S. duties go uncollected on Chinese-made steel-wire hangars.



"It can take nine months just for Customs to refer an allegation to its own field office," McCaskill said. "Why does it take so long for Customs to refer an allegation to Customs?"

For his part, Blunt said Missouri firms had "frustration about trying to play by the rules here and all over the world, only to see others actively and successfully avoid" the duties. "It's frustration for big companies like Legget & Platt, and it's frustrating for family-owned companies like Mid Continent Nail in Poplar Bluff."

In that case, Mid Continent spent more than \$1 million in a successful effort to win its anti-dumping case against Chinese firms back in 1998, only to find that the competitors were avoiding the duties. The firm, which employs 300, hired private detectives to find instances of Chinese firms shipping nails through other

Asian countries.

Last fall's investigation by the Senate subcommittee found more than a dozen product lines for which anti-dumping duties were being evaded, from diamond sawblades to natural-bristle paintbrushes and lined-paper school supplies. Among those products with manufacturers in Missouri and Illinois were:

- steel nails (both states)
- light-walled rectangular pipe and tube (both states)
- uncovered innersprings (Missouri)
- natural bristle paintbrushes (both states)
- steel-wire garment hangars (Illinois and formerly Missouri)
- steel grating (Illinois)

"The list can go on and on," testified Roger B. Schagrin, who chairs a panel of the Committee to Support U.S. Trade Laws -- an interest group formed by more than a dozen firms that are seeking tougher enforcement of anti-dumping duties.

"Literally billions of dollars of trade are evading the imposition of billions of dollars of duties as lost revenues . . . Thousands of laid-off workers who could have returned to work" are still out of jobs because of the fraudulent imports.

CUSTOMS, ICE OFFICIALS PLEDGE STRONGER ENFORCEMENT

Back in 2008, the Government Accountability Office estimated that more than \$600 million in duties were uncollected over a six-year period, with the vast majority of those duties involving products made in China.

"It is not enough to pass [anti-dumping] laws, they need to be enforced," Wyden said. "Duties don't work unless they are assessed and collected."

At Thursday's hearing, officials of the Customs Department and Homeland Security said their agencies were working hard to tighten customs enforcement.

"Commerce is currently investigating seven allegations of circumvention," said Ronald K. Lorentzen, Commerce's deputy assistant secretary for import administration. All but one of those products were from China, including steel-wire garment hangars, laminated woven sacks, graphite electrodes, tissue paper and carbon steel.

J. Scott Ballman Jr., deputy assistant director in charge of ICE's investigations,

said ICE has initiated 391 cases since 2006 that are based on transshipment fraud allegations. So far, he said, those investigations have led to 28 criminal arrests, 86 indictments and 39 convictions.

"It is important to note that ICE criminal investigations are the last line of defense against" the evasion of duties, Ballman said. "By the time ICE investigators become involved in a case, the alleged violators have already committed customs fraud by evading or attempting to evade customs duties."

Contact Beacon Washington correspondent [Robert Koenig](#).

[Next >](#)