

STATEMENT OF THE COALITION FOR ENFORCEMENT OF ANTIDUMPING AND COUNTERVAILING DUTY ORDERS

The Coalition for Enforcement of Antidumping and Countervailing Duty Orders (the "*Coalition*") applauds the efforts of the Trade Subcommittee of the Committee on Ways and Means to examine the structure, policies, and operations of the U.S. Customs and Border Protection ("*CBP*") and whether they are adequately supporting its commercial enforcement functions as well as to identify the challenges faced by CBP and U.S. Immigration and Customs Enforcement ("*ICE*") in revenue collection and customs enforcement.

The member companies of the Coalition include American Spring Wire Company, Bedford Heights, OH; Insteel Industries, Mt. Airy, NC; John Maneely Company, Beachwood, OH; Leggett & Platt, Incorporated, Carthage, MO; M&B Metal Products, Leeds, AL; Mid Continent Nail, Poplar Bluff, MO; and Vulcan Threaded Products, Pelham, AL. Each of these companies is a U.S. manufacturer of products within domestic industries found to have suffered material injury, or threat of material injury, from products manufactured in China and sold in the U.S. at less than fair value. In some cases, these imports have also been found to be subsidized by the Chinese government. In each case, the products from China are subject to antidumping ("*AD*") and/or countervailing duty ("*CVD*") orders.

Each of the members of the Coalition has invested years and enormous amounts of company resources - both financial and human - working to obtain the AD/CVD orders to save our industries, only to find that the Chinese-made products subject to the AD/CVD orders continue to be imported into the U.S. without payment of the duties imposed by the United States Government, and that are owed by U.S. importers. These duties are being evaded by unlawfully transshipping goods through third countries and illegally declaring the goods as a product of that third country; by falsifying shipping documents to misrepresent the country of origin or to misclassify the goods; by minor or insignificant operations in a third country; and, we expect, by other "creative" means of illegally evading the duties imposed on the goods by the U.S. Government.

Several of our members have presented CBP, and in some cases ICE, with compelling evidence of duty evasion, only to see the evasive practices continue and grow ever more blatant. Our AD/CVD orders are not being adequately enforced and our industries are continuing to be harmed by unfairly priced or subsidized Chinese goods that enter the United States without paying lawfully-owed duties. This has put our members in the position of trying to enforce our own orders by collecting and presenting the overwhelming evidence of wrongdoing to CBP and others. What we have found is shocking.

Our members possess numerous emails from Chinese manufacturers explaining the process to avoid the applicable AD/CVD duties by shipping the Chinese-origin goods through third countries and then to the U.S.

Example 1

From: [REDACTED]
Sent: Friday, January 15, 2010 9:22 AM
To: miltonm@mbhangers.com
Subject: mdl

Hi Milton,

Hope all is well...sometimes it is hard to know which companies really do have factories in vietnam or korea etc etc...but the factory below just made it easy...

Regards,
[REDACTED]

From: "mdlhanger@hotmail.com" <mdlhanger@hotmail.com>
To: [REDACTED]
Sent: Thu, January 14, 2010 11:57:59 PM
Subject: Re: MDL
Dear [REDACTED],

Attachment is our price list (FOB Shanghai) , please find it. We have two ways to ship containers to US. One is from Taiwan, the transport charge is \$4200.00 per container. Another is from Malaysia, the transport charge is \$3200 per container, but the shipping date will be much longer than from Taiwan.

Please check the price, if it's ok, please let me know.

Best regards,

Eunice
SHAOXING MEIDELI METAL HANGER CO.LTD.
ADD.: NO.32 EAST TUSHAN ROAD DEVELOPMENT AREA SHAOXING CITY ZHEJIANG PROVINCE CHINA
Tel: 0086-575-88122380
Fax: 0086-575-88207699
E-mail: mdlhanger@hotmail.com
<http://www.mdlhanger.com.cn>
<http://sxmdljsyj.cn.alibaba.com/>
<http://www.mdlhanger.com>

[REDACTED]

[REDACTED]

[REDACTED]

Example 2

-----Original Message-----

From: [REDACTED]
Sent: Friday, January 23, 2009 11:21 AM
To: Gary Krakauer
Subject: Fw: Spring Spec. From SpecCell, Inc.

Fyi

Sent via BlackBerry by AT&T

-----Original Message-----

From: Christopher S. Hahm (ÇÔ%Å¿µ) <chris.hahm@spec-cell.com>
Date: Mon, 19 Jan 2009 11:41:54
To: [REDACTED]
Subject: Spring Spec. From SpecCell, Inc.

Dear [REDACTED]

It was pleasure to talk with you on the phone. Per our conversations I am attached a file for spring spec. Also I attached about anti dumping matter news. I currently ship all materials from HK and there is no problems. Please let me know which products you need it. Thank you again for your great business and I hope you have wonderful day.

Best regards,

C.O.O Christopher S. Hahm

PS Anti-

dumping: http://www.usitc.gov/trade_remedy/731_ad_701_cvd/investigations/2008/uncovered_innerspring_units_from_china_south_africa_and_vietnam/finalphase.htm

SpecCell, Inc.
13061 Lampson Ave. #39
Garden Grove, CA 92840 USA
Tel: +1 714 583 8191
Fax: +1 866 289 8094
Cell: +1 949 943 2010

Example 3

Date: Thu, 18 Mar 2010 09:11:27 -0700
From: markmaryea@yahoo.com
Subject: World Sleep Products Spring Unit Quotation
To: [REDACTED]
CC: markmaryea@yahoo.com

Hello [REDACTED],

Today John Ding is en route to China. When he arrives at our factory, he is going to verify pricing on the 364 unit. Once we do that we will forward that pricing to you also. Your attached pricing is FOB Port of Malaysia. To get a pretty accurate price of each spring unit delivered to your dock in Billerica, add about \$4.50 per spring unit. This is based on a regular standard mix of Twin, Full, Queen, King spring units. A standard mix of these sizes will yield approx. 900-1,000 spring units per 40' container. (Total cost of freight and port charges and other fees is about \$4,500 per container). We can get you a firm and specific freight estimate from one of our freight forwarders whenever necessary. We can ship either into Port of Boston or Port of NY. [REDACTED]

I will send the 364 pricing to you in a few days. Contact me at your convenience and I can meet with you to discuss in better detail. Also, due to your volume, we can look into warehousing as well. That will add something to the quote, but it may be beneficial for you to have a "buffer stock" of spring units nearby that you can draw from while you are in between containers....

I look forward to speaking with you. Thank You very much for the opportunity; I am confident we can save you some money and add to your profit margins.

Sincerely,

Mark Maryea & John Ding
Lexington Capital Holdings Inc
Mobile: 603.553.6890
E-Mail: markmaryea@yahoo.com

One shipping company in China advertises its "triangular trade" capabilities on its website with a diagram explaining how to move product through a third country "in order to protect the interest of traders and save tariff expenses":



Home > Contract Logistics > Triangular Trade

- Out-Sourcing Logistics
- International Distribution
- Triangular Trade
- Business Service

According to traders' demands in commercial interests and import tariff reduction, we provide BL switch for triangular trade, changing the CO, etc. in order to protect the interests of traders and save tariff expenses.

1. Based on the principle of commercial confidentiality, we HANHEN work seriously as an intermediate part between processing manufacturers, traders and end-buyers and switch documents responsibly.
2. We use Singapore, Dubai to offer **entrepot trade** service and issue CO of Malaysia, Vietnam, Indonesia, Bangladesh in order to avoid tariff barriers.



Contact: ss@hanhen.com | Global Contact: info@hanhen.com
 Tel: +86 755 25594780 Fax: +86 755 25561590/1680

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Given these and other examples of such blatant disregard for our trade laws, it is not surprising that the members of the Coalition are continuing to see Chinese-made goods subject to the AD/CVD orders come into the United States without paying the duties AND being sold at prices already found by the U.S. Department of Commerce to be “less than fair value”. What *is* surprising is that, despite repeatedly presenting CBP with evidence of these practices, the duty evasion continues and grows, with little or no evidence that anything is being done to stop it by the very agencies charged with enforcement.

For example, since the first antidumping remedy was imposed against steel wire garment hangers from China in March 2008, the increase in hangers from Taiwan has been astronomical —

U.S. Imports from Taiwan (January—March 2008):	153,998 hangers
U.S. Imports from Taiwan (January—March 2009):	54,186,505 hangers
U.S. imports from Taiwan (January-March 2010):	83,549,026 hangers

Increases of 35,086% from 2008 to 2009 and 54,153% from 2008 to 2010.

In-country investigation in Taiwan has established that steel wire garment hangers claiming Taiwanese country-of-origin are in fact of Chinese-origin and are being transshipped through Taiwan in order to avoid the payment of applicable dumping duties on Chinese hangers. The companies in Taiwan supplying hangers to the United States were identified through import databases, Internet searches, and market research.

The general manager of one company in Taiwan stated that it simply was not possible to manufacture wire hangers in Taiwan for the U.S. market because Taiwan cannot compete with the labor and steel costs in China. Instead, his company works with a Chinese producer in Guangdong Province to transship hangers through Taiwan. The various transshipment schemes include transporting the hangers from China to Taiwan, unloading, repacking and reshipping them to the US, or “with the right contacts,” shipping the hangers from China to Taiwan with the fraudulent documents already included in the containers from China to show the shipment origin to be Taiwan. In either case, “Made in Taiwan” stickers are affixed to the cartons of Chinese-made hangers destined for the United States. The general manager confirmed these transshipment options (including the approximate costs of each) in writing.

This is just one example of the transshipment schemes for Chinese-made steel wire hangers through Taiwan. We have many, many more examples of the transshipment of Chinese hangers through Taiwan and through Vietnam. This information, including an affidavit from the in-country investigator, e-mails from Chinese companies explaining the transshipment options, and other documentary evidence was presented to CBP and ICE in September 2009, and yet the official import statistics show that transshipping is continuing on a massive scale. The failure to collect AD duties on shipments of Chinese-made hangers via Taiwan alone has cost CBP more than \$27 million in duties since March 2008.

The U.S. steel nail industry has observed the same kinds of illegal transshipment in their industry. Our Coalition member Mid Continent Nail has identified multiple Chinese producers transshipping steel nails through Taiwan or Korea. Private investigators, hired by Mid Continent Nail, observed nails being manufactured in China and packed into boxes marked “Made in Taiwan”. Mid Continent also has obtained copies of shipping materials documenting transshipment of Chinese

steel nails through third countries. All of this information has been shared with CBP, with no apparent result.

The domestic mattress innerspring industry has provided very similar information to CBP, including evidence tracing 13 shipments of innersprings from Guangzhou, China to Hong Kong in December 2008, and then from Hong Kong to the U.S. in January and February 2009. Prior to July 2008 there were no innersprings coming into the U.S. from Hong Kong, but in September 2008 over 47,000 units came into the U.S. from Hong Kong.

This overnight jump in units from a country with relatively high steel and labor costs, being sold at the less-than-fair-value Chinese pricing, caused Coalition member Leggett & Platt, Incorporated to hire a private investigator to confirm the manufacturing capability of the primary exporter at each of the two listed addresses on their bills of lading. The private investigator uncovered no actual innerspring manufacturing in Hong Kong. Leggett has evidence of transshipping from Taiwan and Malaysia as well as Hong Kong.

The consequences of these illegal activities are serious. Based on analysis of ITC import data, at least 900,000 Chinese innerspring units have been imported into the United States without paying antidumping duties ranging from 164 percent to 234 percent.

Apart from representing a significant amount of revenue that is owed to the U.S. Treasury, if the proper duties were collected on these imports of Chinese-made innerspring units, importers who have become so addicted to dumped imports would no longer be competitive with domestic manufacturers. American workers would be producing and delivering those innersprings, drawing the wire that goes into the springs, and producing the steel to make the wire. It would take 58.5 full time employees earning almost \$2.4 million in wages and benefits per year to produce an additional 900,000 innerspring units per year.

The Coalition members have identified several administrative and legislative solutions to these evasion schemes, including, among other things, requiring collection of cash deposits of AD/CVD duties (which can later be refunded with interest, if no duty evasion is found) on suspect subject merchandise at points of entry to the United States, and stationing at least one dedicated CBP official at each major port and land border crossing to work exclusively on enforcement of these orders.

We recognize that our government, and CBP and ICE in particular, are tasked with multiple missions that place extraordinary demands on their personnel and resources. Effective enforcement of AD and CVD orders – indeed, of the trade laws themselves – is critical to the ability of our companies and industries to remain competitive. We are not asking our government to do anything it should not already be doing, and we are not asking our government to change the rules of international trade by which our trading partners have agreed to be bound.

What we are asking, however, is that our government recognize that the problems of circumvention and duty evasion cannot be ignored, and have to be addressed – meaningfully and aggressively – right now. Failing to do so risks sending a signal to our largest trading partners that our government is willing to turn a blind eye to such unlawful activities. It risks sending a signal to U.S. industries and workers that our government is unwilling or unable to enforce its own laws, and that our government expects them to not only to bring and win unfair trade cases, but to enforce the AD

and CVD orders that result. Is this what CBP and ICE intend? We have to believe that it is not, and that it is not what our Congress desires.

Respectfully submitted,

The Coalition for Enforcement of Antidumping and Countervailing Duty Orders

Members:

American Spring Wire Company, Bedford Heights, OH

Insteel Industries, Mt. Airy, NC

John Maneely Company, Beachwood, OH

Leggett & Platt, Incorporated, Carthage, MO

M&B Metal Products, Leeds, AL

Mid Continent Nail, Poplar Bluff, MO

Vulcan Threaded Products, Pelham, AL

Please direct any correspondence or questions for the Coalition to the attention of:

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