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U.S. Manufacturers Report Compelling Evidence of Evasion of Antidumping Duties on Imported Steel Wire Products

\$84 million annual loss to U.S. Treasury, negative impact on jobs documented

WASHINGTON, Feb. 1 /PRNewswire/ -- A coalition of U.S. manufacturers has compiled compelling evidence that certain companies subject to antidumping orders are costing the U.S. Treasury at least \$84 million annually due to their deliberate evasion of the antidumping duties. In addition, more than 275 jobs have been lost in the innerspring and hanger industries alone, and additional jobs are threatened by these ongoing schemes to avoid antidumping duties. The information is being presented to Members of Congress, the U.S. Department of Commerce, and U.S. Customs and Border Protection to seek stronger enforcement of existing antidumping orders that are designed to maintain a level playing field for U.S. manufacturers and their workers.

The Coalition for Enforcement of Antidumping and Countervailing Duty Orders consists of several U.S. manufacturers of steel wire products, including steel nails, uncovered innerspring units, steel wire garment hangers, and carbon steel threaded rod, each of which separately petitioned the U.S. Government for relief from unfairly traded imports. Each of these industries, after nearly two years of proceedings before the International Trade Commission and the Department of Commerce, established that foreign companies were selling these products in the U.S. at less than fair value and that these sales were materially injuring U.S. industries; subsequently, Commerce issued antidumping duty orders that levied import duties on these items, in some cases up to 234%, as a way to remedy the injury caused by dumped imports.

These U.S. industries have developed compelling evidence detailing how certain foreign manufacturers are evading duties. In some cases, they are shipping these products to the U.S. via third countries and then falsely designating it as the country of origin to evade the duties, a practice termed "transshipment." In other cases, an inconsequential modification is made to the product in third countries to avoid the duties. In yet other situations, false labels displaying a different country of origin are placed on shipments of products actually made in China. There is growing evidence that these evasion schemes are being used in other industries, further threatening jobs and the U.S. economy.

"These schemes are blatant and purposeful," said David Libla, President of Mid Continent Nail and a Coalition member. "Not only are they clear evidence of attempts to maintain an unfair advantage in the marketplace, they're also costing taxpayers millions of dollars and reducing job opportunities in this country. We appreciate the efforts of both Congress and the Executive Branch to consider this information and determine how best to enforce these existing orders."

The Coalition advocates several administrative and legislative solutions to these evasion schemes, including requiring collection of cash deposits on suspect subject merchandise at points of entry to the United States, stationing at least one Customs and Border Protection

official at each of the major seaports and land border crossings to concentrate on enforcement of these orders, incorporating specific enforcement language into the Customs Reauthorization Act and expanding the authority of the Department of Commerce to include investigation of transshipment and other evasion activities.

The Coalition for Enforcement of Antidumping and Countervailing Duty Orders consists of the following companies: M&B Metal Products (Leeds, Alabama), Vulcan Threaded Products (Pelham, Alabama), Leggett & Platt, Incorporated (Carthage, Missouri), Mid Continent Nail (Poplar Bluff, Missouri), American Spring Wire Company (Bedford Heights, Ohio) and Insteel Industries (Mt. Airy, North Carolina).

ANTIDUMPING DUTY EVASION FACT SHEET

The Coalition for Enforcement of Antidumping and Countervailing Duty Orders provided the following examples of the antidumping duty evasion schemes, documented through extensive records research, interviews and, in some cases, on-site location inspections:

- **Steel hangers** – During the six months from January to June 2008, 153,998 steel wire hangers were imported to the United States from Taiwan. However, during the same six-month period in 2009 – following the issuance of an antidumping order – steel wire hangers imported from Taiwan skyrocketed to 144,718,079 ... a *93,874% increase!* Market intelligence confirms there is no meaningful production of steel wire hangers in Taiwan. Other such transshipments also have occurred involving Vietnam, Korea, Hong Kong, Canada, and Mexico. Such practices have resulted in the evasion of more than \$12 million in duties and have cost the domestic industry 220 jobs.
- **Uncovered innersprings** – Throughout the first half of 2008, virtually *all* innersprings imported to the United States listed China as the country of origin and almost none came from Taiwan, Malaysia or Hong Kong. However, while the antidumping case proceeded before the International Trade Commission, that situation flip-flopped. Now, almost no innersprings are labeled as originating in China while imports from Taiwan, Malaysia and Hong Kong have surged, despite the lack of manufacturing facilities to handle the increase in those other countries. In one case, the company allegedly manufacturing the units in Taiwan only has three employees in its 80-square-meter offices – clearly not sufficient for its claimed manufacturing output. These unpaid duties are estimated to be \$40 million; nearly sixty (60) U.S. jobs have been eliminated or forgone in this industry due to the continued violation of existing antidumping duty orders.
- **Steel nails** – Evidence showed that a company in China created two different sets of box labeling – one for "Made in China" and one for "Made in Taiwan." In 2007, nearly 80% of that company's product was exported to the United States. By 2009, virtually all of the production was being marked as "Made in Taiwan" even though the nails were still being made in China. Due to these and other schemes, an estimated \$32 million in duties on steel nails have not been collected.

SOURCE The Coalition for Enforcement of Antidumping and Countervailing Duty Orders