Testimony before the Subcommittee on Courts, Intellectual Property, Artificial Intelligence, and the Internet of the Committee on the Judiciary

"Foreign Abuse of U.S. Courts"

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Charlotte Pipe and Foundry Company

Tuesday July 22, 2025

Chairman Issa, Ranking Member Johnson and other members of the Committee, thank you for inviting me to testify today.

Charlotte Pipe and Foundry is the nation's leading maker of cast iron and plastic pipe and fittings for plumbing systems. A fifth-generation family business, Charlotte Pipe has been in continuous operation in the United States for 124 years.

We employ about 1,800 associates in eight plants around the country. Through our wholly owned subsidiary Neenah Foundry we employ another 1,000 associates working in three foundries making manhole covers and rings, tree grates and other street castings.

AD/CVD Duties

In 2017, the U.S. producers of cast iron soil pipe and fittings for plumbing filed AD/CVD petitions through their trade association, the Cast Iron Soil Pipe Institute (CISPI), against imports of these products from the People's Republic of China.

On March 20, 2019, The International Trade Commission (ITC) voted unanimously in favor of CISPI in their AD/CVD petition against imports of cast iron soil pipe from China.

As part of the investigation, the Department of Commerce determined that Chinese exporters had undersold and subsidized cast iron soil pipe in the United States in a range of 250 to 345 percent less than fair value. Duties to counteract these unfair trade practices went into effect immediately.

In addition to the pipe case, CISPI filed an AD/CVD case against Chinese producers of cast iron fittings in 2017. In that investigation, Commerce determined that Chinese exporters had undersold and subsidized cast iron fittings in a range of 41 to 494 percent less than fair value. Duties to counteract these unfair trade practices have been in effect since August of 2018.

Sunset Reviews of AD/CVC Orders

In October 2024, The International Trade Commission determined that "revoking the existing AD/CVD orders on cast iron soil pipe from China would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time."

As a result of the Commission's affirmative determinations, the existing orders on imports of these products from China remain in place. This followed the Commission's affirmative determinations on the existing orders on imports of cast iron fittings from China, which also remain in place.

However, evasion of these AD/CVD duties has been so successful that no importers appealed the orders during the Sunset Reviews. Why pay high priced trade lawyers to contest the orders when they can evade them at little cost or risk?

CISPI Files 10 Successful EAPA Investigations

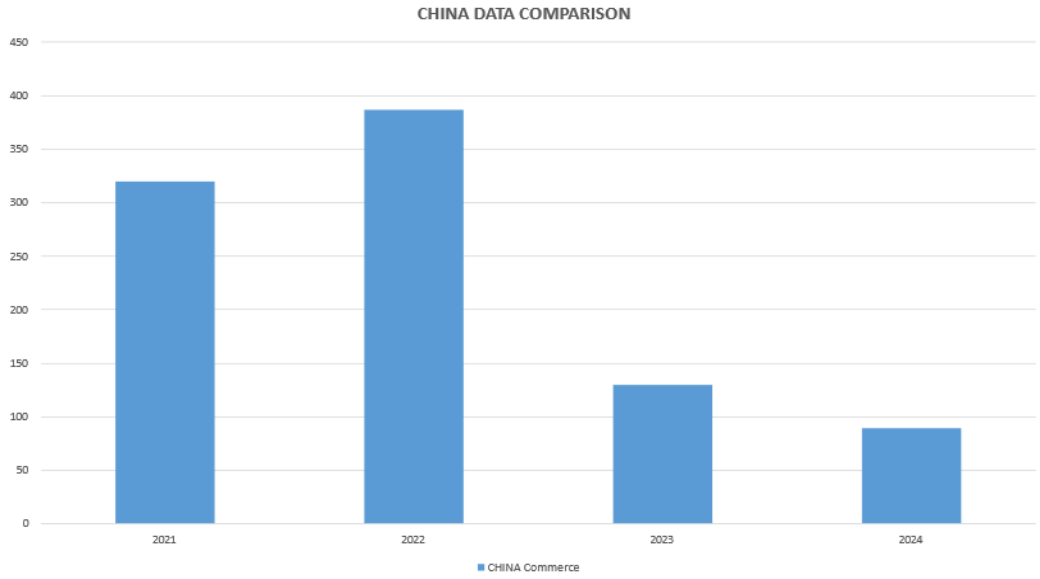
Over the last seven years, unscrupulous foreign entities engaged in unfair trade practices have turned to transshipping goods through third countries and deploying other forms of evasion and customs fraud to obscure the true origin of their products to avoid AD/CVD duties.

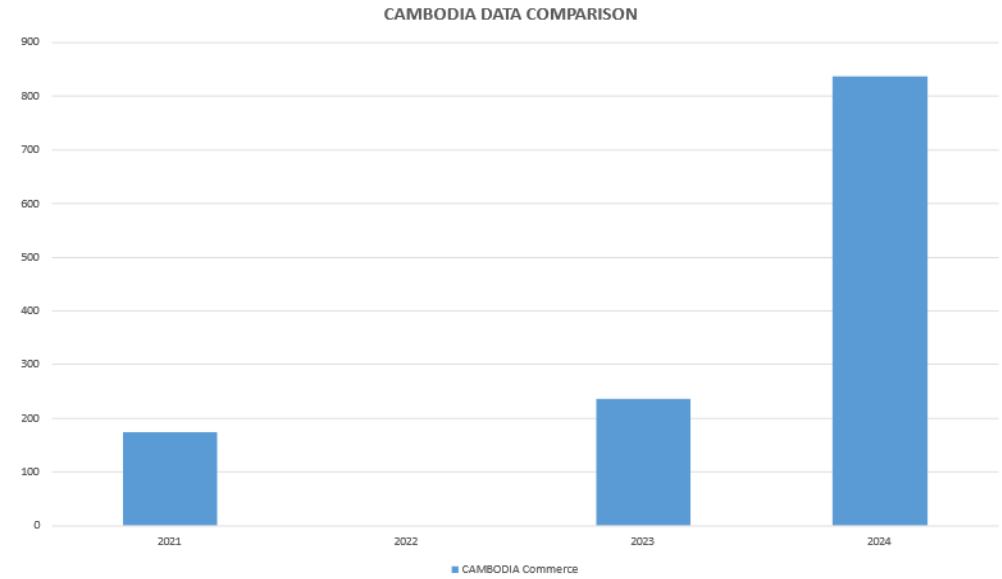
The Trade Facilitation and Enforcement Act of 2015 granted U.S. Customs and Border Protection (CBP) new tools to combat evasion, such as Enforce and Protect Act (EAPA) investigations.

In the six years since the AD/CVD orders were put in place, CISPI has received 10 positive determinations of evasion of lawful duties against producers and importers of our products in EAPA cases. These cases are prohibitively expensive for petitioners and have done nothing to eliminate fraud.

EAPA No.	***Country***	***Parties***	***Date Filed***	***Outcome***
7454, 7455	Cambodia	Lino Metals; Blue Star Casting; HiCreek (Cambodia)	March 2020	Affirmative determinations
7621, 7623, 7624, 7708	Cambodia	Lino Metals; Little Fireflies International; Phoenix Metal; Granite Plumbing Products	July 2021 Feb. 2022 (Phoenix)	Affirmative determinations
7785, 7786	Malaysia	LDL Trading (Copperfit Industries); Vanguard Metal Fabrication (Malaysia)	Oct. 2022	Affirmative determinations
7819, 7820	Malaysia	Besttn Industry (Kingway); United Metal Ind. (Malaysia)	April 2023	Affirmative determinations

Despite CBP's good faith efforts, they have been unable to stop the flow of imports that continue to injure the domestic industry, with Chinese producers brazenly shutting down sham shell companies and creating others to avoid paying duties. In fact, the charts below show that as Chinese exports to the U.S. have fallen, Cambodian exports have risen in direct correlation. Yet Cambodia does not have foundries that make cast iron pipe and fittings.





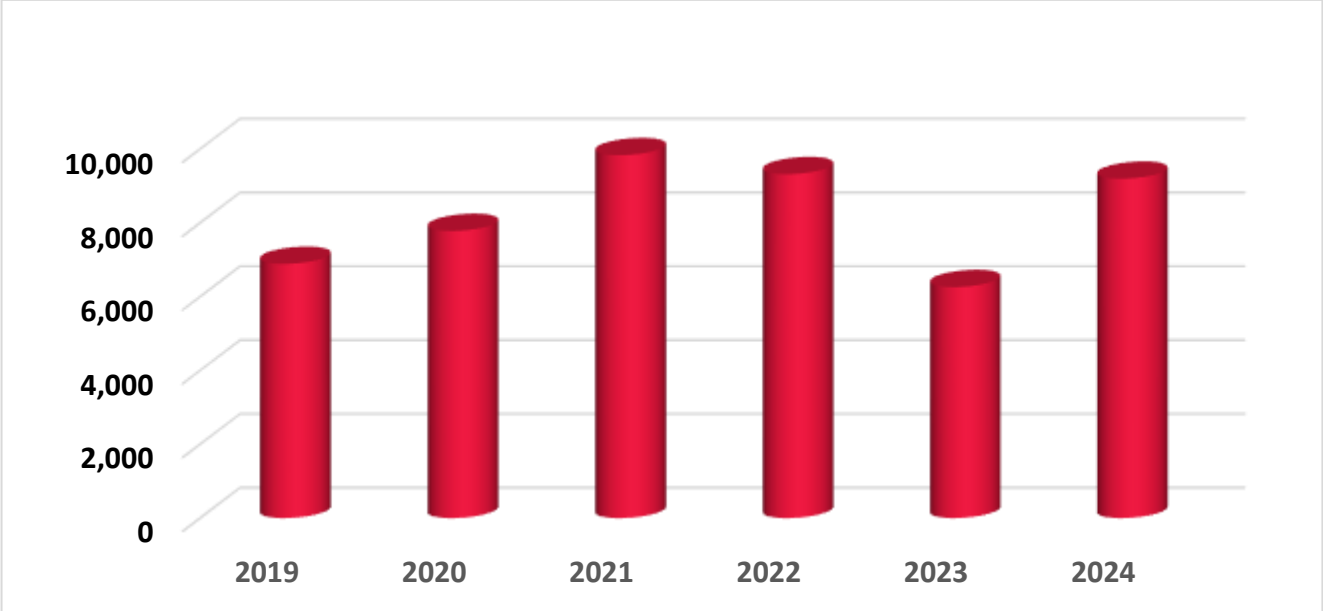
For example, lawyers for Phoenix Metal admitted during an unsuccessful appeal of an affirmative EAPA determination that the company was created by the same individuals and entities behind HiCreek Co. because of the affirmative EAPA determination against HiCreek; that HiCreek ceased operation after an affirmative EAPA determination against that company rather than pay AD/CVD duties; and that Phoenix Metal would do the same if its appeal was unsuccessful.

In other words, these entities have no intention of ever paying the duties. When caught and confronted with transshipment, these shell companies simply dissolve rather than pay the duties, and the bad actors reconstitute under a new shell company and continue their evasion.

This is happening on an ongoing basis, rendering Customs' efforts to collect duties futile. In fact, based on our calculations, Chinese producers of cast iron soil pipe and fittings have successfully evaded more than $44.5 million of dumping and countervailing duties – money they have robbed of the U.S. Treasury.

CBP simply does not have the resources or the tools to overcome this determined fraudulent activity and collect duties even after positive EAPA determinations have been made. Current penalties for such behavior are woefully inadequate, lacking sufficient deterrent value to discourage bad actors from engaging in evasive action.

As you can see from the chart below, total tonnage from foreign producers actually went *up* in the three years immediately following imposition of AD/CVD duties in 2018 and have remained elevated.



PIERS DATA – TOTAL IMPORT TONS
CAST IRON SOIL PIPE AND FITTINGS

Advertising Evasion

Chinese shippers have become brazen in their campaign of trade fraud, freely advertising their capabilities to circumvent U.S. trade remedies and "avoid high duties" by "exporting goods from China to Southeast Asian countries" where they "change containers and then re-export to the destination country."

Duty Evasion – China

From: Claire <claire@kingtrans.com.cn>
Sent: Thursday, May 18, 2023 5:15:18 AM
To: [redacted]
Subject: [redacted] How to import Stainless Steel Flanges from China without cost constraints?

Hi,

Good day! Very glad to express my sincere gratitude to you for taking time to read this email.

Our company Kingtrans is an experienced freight forwarder since 2004, specializing in helping other importers to save cost, especially in the area of avoiding high duties.

As far as I know, there has a high tariff on imported Stainless Steel Flanges from China.
We can provide the professional trading solution ?? **Re-exporting**, in this way, high tariffs can be avoided.

Re-exporting operation process:

1. Exporting goods from China to Southeast Asian countries
2. Change containers in Southeast Asian countries and then re-export to the destination country.

The routing for the containers will be as:
China→Southeast Asian countries→Destination countries

Re-exporting is the way many importers who suffered from anti-dumping will choose, with 18 years experience, our company help different importers handle nearly a hundred containers of goods every month.

If you're interested or want more details, just contact me.

Thanks & Regards

Claire Xue
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Mobile: +86 19842302231
Wechat/WhatsApp: +86 18807421354

JCTRANS ID: 151861

STAINLESS SHEET/STRIP EVASION OF AD/CVD DUTIES- CHINA

Dear Purchasing Manager,

Good day!

This is Yannis from Kingtrans Container Line (Shenzhen) CO., LTD, China. We do the trans-shipment business to avoid anti-dumping duties.

As we know, stainless steel sheet and strip imported from China to America is suffering from very high anti-dumping duties, here we would like to provide the professional shipping solution to avoid the high anti-dumping duties. And we have done this trans-shipment business for 12 years.

To avoid the limitations, we send the container to other countries outside of China, and export it to destinations by using document (CO or FORM A) originated from areas like Malaysia, Thailand, Taiwan, Indonesia, Bangladesh, Philippine etc., this arrangement will help you to save a lot of anti-dumping duties.
The route for the containers will be as:(take Malaysia for example)
CHINA ---> Malaysia (reloading the containers in bonded warehouse) ----> America

Documents issued details:
a. Malaysia company's CO
b. Master Bill of Lading under Malaysia company
c. Malaysia company's Packing List
d. Malaysia company's Invoice

If you are interested in such shipping solution, welcome inquiry anytime.

Thanks for your reading.

Best regards
Yannis Lee
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QQ: 847869805

Multiple news outlets are reporting on the many ways Chinese companies exploit gaps in domestic enforcement regimes and jurisdiction of the courts to bypass tariffs, duties, and other trade restrictions.

New York Times – front page May 27, 2025

> "As President Trump's tariffs have ratcheted up in recent months, so have the mysterious solicitations some U.S. companies have received, offering them ways to avoid the taxes. Shipping companies, many of them based in China, have reached out to U.S. firms that import apparel, auto parts and jewelry, offering solutions that they say can make the tariffs go away.
>
> 'We can avoid high duties from China, which we have already done many in the past,' read one email to a U.S. importer.
>
> 'Beat U.S. Tariffs,' a second read, promising to cap the tariffs 'at a flat 10%.'
>
> The proposals — which are circulating in emails, as well as in videos on TikTok and other platforms — reflect a new flood of fraudulent activity, according to company executives and government officials. As U.S. tariffs on foreign products have increased dramatically in recent months, so have the incentives for companies to find ways around them.
>
> The Chinese firms advertising these services describe their methods as valid solutions. For a fee, they find ways to bring products to the United States with much lower tariffs. But experts say these practices are methods of customs fraud.
>
> The companies may be dodging tariffs by altering the information about the shipments that is given to the U.S. government to qualify for a lower tariff rate. Or they may physically move the goods to another country that is subject to a lower tariff before shipping them to the United States, a technique known as transshipment."

CNBC – May 19, 2025

> "Chinese exporters are offering lucrative deals to U.S. customers with promises of bearing the full burden of tariffs. Look beneath and there's a web of illicit activity that's propping up these shipments from China.
>
> By using the 'delivered-duty-paid' shipping approach where sellers pay for all import duties, and by under-invoicing shipments, some Chinese sellers are able to offer U.S. customers pre-tariff prices, while still turning a profit, according to legal experts."

Reuters – May 19, 2025

> "Chinese exporters are offering sweet deals to U.S. businesses. They often come wrapped in fraud. Chinese exporters are understating the value of goods or mislabeling them to draw lesser duties."

The Federalist – May 9, 2025

> "Inside China's Massive Tariff-Dodging Scheme That Kills Its Competition: China's decentralized export machine bypasses traditional retail channels, pays no income taxes, evades tariffs, and undercuts American businesses."

Financial Times – May 5, 2025

> "Chinese exporters are stepping up efforts to avoid tariffs imposed by President Donald Trump by shipping goods via third countries to conceal their true origin."

Legislative Remedies – The Fighting Trade Cheats Act

To address this rampant cheating, Reps Mike Bost (R-IL-12) and Terri Sewell (D-AL-7) have introduced and referred to the House Ways and Means Committee the **Fighting Trade Cheats Act (H.R. 1284)** to strengthen enforcement against this form of trade fraud.

The FTCA attacks evasion of AD/CVD orders in three ways:

- Enhanced Penalties – Triples penalties for customs fraud to increase deterrence.
- Suspends Import Authority – Deny a person and their affiliates of an Importer of Record number for five years for those proven to have engaged in fraud.
- Private Enforcement Action – Provides opportunity for immediate injunctive relief; Limits standing to industries that suffer actual harm (no consumer claims); No claims for negligent violations; Authorizes the government to obtain discovery information or intervene in litigation.

These provisions are consistent with other statutes that afford injured parties rights to pursue civil actions under federal penalty statutes.

Another remedy is the **Protecting American Industry and Labor from International Trade Crimes Act of 2025 (H.R. 1869)** – bipartisan legislation which will strengthen enforcement by the Department of Justice (DOJ) against trade-related crimes. It would require the DOJ to:

- Establish a task force within the DOJ to combat China's trade crimes and protect American workers and manufacturers.
- Authorize $20 million in funding for fiscal year 2026 to support the task force.
- Provide training and technical assistance to other federal, state, and local law enforcement agencies, expanding investigations and prosecutions, and allowing for parallel criminal and civil enforcement actions.

- Submit an annual report to Congress assessing the DOJ's efforts, statistics on trade-related crimes, and fund utilization.

It is my understanding that the Judiciary Committee could grant clearance for the PAIL Act to move forward, and the bill could be amended to the National Defense Authorization Act (NDAA).

To put it bluntly, the AD/CVD process is broken and in need of far stronger remedies. Short of the remedies provided in the FTCA and PAIL Act, industries will be very reluctant to undertake AD/CVD cases in the future. The costs to file and win these cases are exceedingly high and the promise of relief has become non-existent in the face of lax trade enforcement.

I'd like to thank Chairman Issa, Ranking Member Johnson and the Committee again for investigating these threats to American economic and national security, and for allowing me to testify before you today.

We have re-introduced the Fighting Trade Cheats Act in the 119th Congress. So far, 29 sponsors in the House of Representatives demonstrate that the FTCA has broad bi-partisan support.

Cosponsors: H.R.1284 — 119th Congress (2025-2026)

Rep. Robert Aderholt (R-AL-4)
Rep. Mark Alford (R-MO-4)
Rep. Troy Balderson (R-OH-12)
Rep. Sanford Bishop (D-GA-2)
Rep. Mike Bost (R-IL-12) *
Rep. Nikki Budzinski (D-IL-13)
Rep. Mike Carey (R-OH-15)
Rep. Chris Deluzio (D-PA-17)
Rep. Pat Harrigan (R-NC-10)
Rep. Chuck Edwards (R-NC-11)
Rep. Lance Gooden (R-TX-5)
Rep. Richard Hudson (R-NC-9)
Rep. Raja Krishnamoorthi (D-IL-8)
Rep. Carol Miller (R-WV-1)
Rep. John Moolenaar (R-MI-2)
Rep. Nathaniel Moran (R-TX-1)
Rep. Frank Mrvan (D-IN-1)
Rep. Greg Murphy (R-NC-3)
Rep. Nick Langworthy (R-NY-23)
Rep. Gary Palmer (R-AL-6)
Rep. Jimmy Panetta (D-CA-19)
Rep. Mike Rogers (R-AL-3)
Rep. Terri Sewell (D-AL-7)
Rep. Mikie Sherrill (D-NJ-11)
Rep. Dale Strong (R-AL-5)
Rep. Claudia Tenney (R-NY-24)
Rep. Beth Van Duyne (R-TX-24)
Rep. Tim Moore (R-NC-14)
Rep. Mark Harris (R-NC-13)

To cosponsor the Fighting Trade Cheats Act of 2023 (H.R. 2667), contact: Noah Barger, noah.barger@mail.house.gov, Office of Rep. Mike Bost (R-IL), or Rob Nuttall, robert.nuttall@mail.house.gov, Office of Rep. Terri Sewell (D-AL). Note – The Senate companion bill expected to be introduced shortly.