

BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON AGRICULTURE, ENERGY AND TRADE
ROOM 2360, RAYBURN HOUSE OFFICE BUILDING

HEARING — *UNFAIR TRADE PRACTICES: ADDRESSING BARRIERS FACING
SMALL BUSINESS EXPORTERS*

TESTIMONY
OF
MILTON MAGNUS, III, PRESIDENT
M&B METAL PRODUCTS COMPANY, INC. (LEEDS, AL)

ON BEHALF OF THE AMERICAN WIRE PRODUCERS ASSOCIATION

MAY 22, 2014

Good Morning, my name is Milton Magnus, and I am President of M&B Metal Products Company, Inc. of Leeds, Alabama. We manufacture Wire Garment Hangers. I am also the President of the American Wire Producers Association, an association of U.S. companies that purchase steel wire rod and produce wire and wire products.

I am testifying today to explain the constant struggles that small- and medium-sized manufacturers face with unfair trade.

In 2002, my company, along with two other U.S. hanger producers, saw a flood of Chinese-made hangers entering the United States at prices

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below our cost. We decided to file a Section 421 Trade Case, which is one avenue for relief for U.S. producers that are being harmed by imports from China. We were successful in our case at the ITC, but — unlike an antidumping or countervailing duty case — a Section 421 case has to go to the President for approval. Unfortunately, no relief was granted.

Shortly after that, Cleaners Hanger Company — an American company, which was the largest Garment Hanger producer in the world — filed for Chapter 7 bankruptcy. Then it seemed like dominoes — all of the remaining U.S. hanger producers, with the exception of M&B, either went out of business or closed their U.S. operations and imported all of their hangers from China. Over the next few years, we struggled, having to close our plant in South Hill, Virginia and lay off 85 hardworking Americans. We continued our struggle, but the Chinese were relentless, and eventually we either had to import 100 percent of our hangers or fight by filing an antidumping petition against China. We chose to fight.

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On July 31, 2007, we filed an antidumping petition against unfairly traded Chinese hangers. When we filed, we were almost out of business, and we really didn't know how we were going to pay the substantial legal fees and other costs to file this case, but we proceeded. After a long and demanding process before the ITC and Commerce, dumping duties between 16 to 187 percent were imposed on imported hangers from China.

Things improved, and we were able to pass along raw material increases. But, just as we were hiring again and increasing our production, the same producers that were shipping hangers from China were working on illegal schemes to avoid dumping duties by shipping their hangers through other countries, or simply just changing the country of origin on the paperwork. We filed over thirty e-allegations with Customs with specific information about these illegal schemes, and we met with Customs officials a number of times detailing what was happening, but we saw no progress.

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We then hired an investigator at great cost to our small company and sent him to Taiwan and Vietnam to visit the so-called “new factories” that were shipping hundreds of millions of hangers to the United States. He didn’t find any hanger factories. But he did receive detailed offers from Chinese producers to illegally transship Chinese hangers to the United States through Taiwan and Vietnam, avoiding the dumping duties that should have been collected. When our investigator returned, we took him, his reports, and our attorneys and met with Customs as well as Immigration and Customs Enforcement (ICE) to detail the schemes. I felt really good when we left this meeting. But with the exception of one small importer transshipping Chinese Hangers through Mexico, nothing happened.

We then filed Anti-circumvention petitions against two so-called “hanger producers in Vietnam.” We won those cases, too, but with the help of the Chinese producers, hanger imports from Vietnam and Taiwan continued to grow. We had no choice but to file an antidumping case against Taiwan, and antidumping and countervailing duty cases against Vietnam.

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We won those cases as well, but immediately hangers started appearing from Laos and Malaysia. We have been told that these hangers are made in Vietnam or China and transshipped to the United States. We decided not to file more e-allegations or send investigators to these countries to bring back proof of duty evasion because we saw no results from our previous efforts.

M&B, along with other U.S. producers suffering from the same evasion schemes, formed a coalition to try to get meaningful legislation passed to address these illegal activities. The *Enforcing Orders and Reducing Customs Evasion (ENFORCE) Act* creates a procedure at Customs to investigate claims of evasion, including timelines for Customs to make determinations and apply the appropriate duties as well as regular, timely reports that will not only deter future evasion but add transparency, accountability and oversight where there currently is none. The provisions of *ENFORCE* passed through the Senate Finance Committee by voice vote and have been included in the Senate *Customs Reauthorization Bill*. The complimentary bill in

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the House, introduced by Representatives Long and Sanchez, has a bipartisan group of 46 cosponsors.

There are many other industries besides that face the same struggles with cheating, illegal transshipment, and evasion of their trade orders. They include the industries making Nails, Innersprings, Threaded Rod, PC Strand, Wire Shelving, and many more.

We all produce with a high degree of Integrity, which includes paying our workers a fair wage with good benefits, being environmentally responsible, paying taxes, and providing a return on investment. Without meaningful relief from ongoing duty evasion schemes, it will be difficult to maintain our production in the United States.

Thank you for your time. I welcome your questions.