***Southern Shrimp Alliance Describes Rampant Customs Fraud and Duty Evasion Relating to Shrimp Imports in Statement to U.S. Senate***

On May 19, 2011, the Southern Shrimp Alliance filed a written statement with the U.S. Senate focusing on the problem of illegal circumvention of shrimp antidumping duties. The statement contributes the experiences and recommendations of the U.S. shrimp industry to a May 5th hearing, “Enforcing America’s Trade Laws in the Face of Customs Fraud and Duty Evasion,” before the U.S. Senate Finance Committee Subcommittee on International Trade, Customs, and Global Competitiveness.

Customs fraud, such as false labeling schemes, is a pervasive and growing problem. Such illegal practices have allowed shrimp importers to avoid paying hundreds of millions of dollars of antidumping duties to the U.S. Treasury, which means dumped shrimp imports continue to depress U.S. shrimp prices despite hard-won trade relief.  Schemes to avoid duty payment also help tainted seafood imports enter the U.S marketplace by dodging U.S. Food and Drug Administration Import Alerts.

The May 5th hearing included testimony from several domestic industries and presentations from officials with U.S. Customs and Border Protection, Immigration and Customs Enforcement, and the U.S. Department of Commerce, each of whom detailed massive schemes to evade duty payment.

Witnesses at the hearing provided examples of the prevalence of customs fraud and duty evasion schemes and the substantial amounts of monies involved:

* Richard Adee, testifying on behalf of the American Honey Producers Association, reported that $300 million in antidumping duties on honey imports had not been paid in 2008, 2008, and 2010 as the result of circumvention schemes.
* Karl G. Glassman, testifying on behalf of Leggett & Platt, Inc., reported that over $60 million in antidumping duties is avoided annually through circumvention of the antidumping duty order on innersprings from China.
* Deputy Assistant Director J. Scott Ballman, Jr., testifying on behalf of U.S. Immigration and Customs Enforcement (ICE), reported that since 2006 ICE has initiated 391 cases based on allegations of fraud regarding AD/CVD orders, which have resulted in 28 criminal arrests, 86 indictments and 39 convictions. As part of these cases, the government has made 161 seizures of goods with a domestic value of over $16 million.
* Assistant Commissioner Al Gina, testifying on behalf of U.S. Customs and Border Protection (CBP), provided details on numerous enforcement activities undertaken by CBP, resulting in: uncovering a circumvention scheme involving steel wire garment hangers that led to the assessment of $13.1 million in antidumping duties; identification of a duty evasion scheme involving Chinese citric acid with $17 million in unpaid antidumping duties; an operation targeting innerspring customs fraud that led to the assessment of $5.3 million in unpaid antidumping duties; and the recovery of $2.5 million in unpaid antidumping duties from a circumvention scheme involving Chinese shrimp transshipped through Malaysia.

SSA’s statement builds upon the testimony and presentations at the hearing by:

1. Summarizing the extensive documentation by U.S. government agencies of customs fraud and duty evasion with respect to shrimp imports and the substantial amounts involved (CBP estimated that one circumvention scheme alone potentially evaded $132 million in duties and SSA estimates that transshipment of Chinese shrimp through Malaysia means that another $56 million in antidumping duties is being evaded each year);
2. Emphasizing the importance of publication of government enforcement activities;

1. Arguing that customs fraud occurs regardless of whether the system for assessing antidumping duties is retrospective in nature (as currently established under U.S. law) or prospective in nature (a change championed by U.S. importers); and,
2. Observing that the U.S. Department of Commerce has adopted a position that rejects domestic industry requests for assistance regarding illegal circumvention activities in administrative reviews.

SSA thanks the Subcommittee for its attention to this rampant problem and will continue to work with the Subcommittee, the domestic shrimp industry’s other Congressional allies, U.S. government agencies, and other affected domestic industries to eradicate circumvention.