

# **Testimony of Joe Sanroma**

**Before the  
Subcommittee on Homeland Security  
of the  
US Senate Appropriations Committee**

**“Strengthening Trade Enforcement to Protect American Enterprise  
And Grow American Jobs”**

**July 16, 2014**

Chairman Landrieu and Members of the Subcommittee, my name is Joe Sanroma. I have been a professional beekeeper for 30 years, and I currently manage two commercial apiaries in Bunkie, Louisiana: Merrimack Valley Apiaries Inc. and Evergreen Honey Company, which maintain 26,000 honeybee hives and provide pollination services in California and along the East Coast.

I’m also President of the Louisiana Beekeepers Association, and a board member of the American Honey Producers Association – which represents most of our country’s 700 commercial apiaries. These typically are relatively small, family-owned outfits that collectively employ thousands of Americans in 38 states. Each year, these companies work their bees to produce 150 million pounds of honey, and pollinate over 90 fruit, vegetable and fiber crops worth 20 billion dollars. Those are services that simply cannot be imported so American commercial beekeepers – in Louisiana and around the country – play a crucial role in our country’s farm production.

As many of you know, beekeepers have suffered great losses recently from a widespread decline in bee health that has resulted in beekeepers losing on average more than one third of their hives in a single year. Some individual beekeepers have lost two-thirds of their hives. I note for the Subcommittee that the leading facility doing scientific research on bee health is the USDA facility in Baton Rouge, Louisiana.

Bee health decline, dubbed by some Colony Collapse Disorder, is an enormous threat to the industry. But for twenty years, domestic beekeepers have struggled to survive another threat – the ongoing surge of extremely low-priced honey imports from China. The government first imposed antidumping duties on Chinese honey in 2001 to save our industry. But until recently, dishonest traders avoided those duties through a series of fraudulent import schemes, and deprived domestic beekeepers of the protection intended by Congress.

The most serious of these evasion schemes involved the dumping law's "New Shipper Bond" provision. Until Congress closed it in 2006, that loophole allowed importers to use a customs bond instead of cash to meet the substantial collateral required for certain imports subject to dumping duties. For Chinese honey imports, the bond value was twice the value of the secured imports.

Customs estimates it is holding over 600 million dollars in thousands of New Shipper Bonds as security against unpaid dumping duties on imports of honey, fresh garlic, crawfish tail meat, and preserved mushrooms from China – 150 million dollars of which secure honey imports.

Shockingly, the major insurance companies that issued these bonds all failed to determine whether the sham companies that acted as the U.S. importers were creditworthy, or to require that they deposit any collateral to cover the insurers in case they had to pay under the bonds. When Customs eventually assessed substantial duties on these imports, the importers had disappeared. *And* the insurance companies – which had collected tens of millions of dollars in premiums for issuing the bonds – uniformly refused Customs' demands that they pay as promised.

This duty-evasion scheme devastated the domestic producers of these four agricultural products in two ways. First, the scheme allowed the importers to enter and sell in this country huge volumes of these goods over an eight-year period at steeply dumped prices – as if the government orders imposing substantial dumping duties on these

products did not exist. As a result, the domestic producers continued to suffer the very economic injury the dumping duties were supposed to prevent.

Second, all of these imports are subject to a provision of US trade law, which requires Customs to distribute dumping duties collected on imports that arrived through 2007 to the injured domestic producers. Thus, some of the injury inflicted by these imports on the honey, garlic, crawfish and mushroom producers could have been partly offset by Customs' distribution of duties collected under the New Shipper Bonds. But the insurance companies' refusal to pay as promised under these bonds has prevented this.

Unfortunately, Customs must bear substantial responsibility for this debacle. Although the insurance companies first started refusing to pay under these bonds in 2001, Customs by 2009 had failed to file a single collections lawsuit against them. In fact, the agency filed its first New Shipper Bond collections lawsuit only after being sued to do so by the four domestic industries.

Customs currently is attempting to recover \$80 million from the insurance companies through 30 collections lawsuits. Rather than pay Customs as promised, the insurance companies are dragging out those lawsuits by raising many frivolous defenses.

One insurance company – Hartford Fire – has raised many of the same frivolous defenses in 350 lawsuits it has filed against Customs in its effort to avoid paying an estimated two to three hundred million dollars under its New Shipper Bonds. Indeed, Hartford Fire's lawsuits now account for 20 percent of all cases before the Court of International Trade.

Despite Customs' recent actions to recover under the bonds, the agency's extended delay in suing the issuing insurance companies will likely block it from recovering under many bonds. This is because a bond collections lawsuit must be started within six years of the date the

issuing insurance company becomes liable for the duties. Indeed, in the first collection lawsuit, the court ruled that Customs was time-barred from recovering three million dollars in duties secured by three of the nine bonds at issue.

Since the domestic producers' lawsuit against Customs was dismissed by the courts two years ago, many Members who support our domestic producers of honey, garlic, crawfish and mushrooms have worked to get Customs to account for all of the New Shipper Bonds, and adopt an effective strategy for recovering from the issuing insurance companies. Senator Landrieu, we are extremely grateful for your leadership in this effort, which has started to bear fruit. But while Customs recently has provided some aggregate and general information about the bonds, the agency still has not provided the detailed accounting requested last year by the Committee. We desperately need your continued support to bring this problem to a successful conclusion.

Domestic beekeepers have been and remain critical of Customs' poor performance in recovering under the New Shipper Bonds. However, we want to recognize the exceptional work that agency has performed in recent years to foil other major duty-evasion schemes on Chinese honey imports.

The most important of these is known in the trade press as "Honeygate." Through that effort – which is ongoing – Customs has combined with ICE – Immigrations and Customs Enforcement – and the Office of the U.S. Attorney of Northern District of Illinois to criminally prosecute dozens of persons and corporate entities involved in a range of major duty evasion schemes. As a result of Honeygate, there is, for the first time in many years, little duty evasion taking place with Chinese honey imports. American beekeepers are extremely grateful to these agencies – including in particular Customs – for this fine work on our behalf.

Thank you.