UNITED STATES TRADE REPRESENTATIVE

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301 COMMITTEE

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SECTION 301 TARIFFS PUBLIC HEARING

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WEDNESDAY
AUGUST 22, 2018

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The 301 Committee met in the Hearing Room of the International Trade Commission, 500 E Street, SW, Washington, D.C., at 9:30 a.m., William Busis, Megan Grimball, and Arthur Tsao, Co-Chairs, presiding.

PRESENT
WILLIAM BUSIS, Chair, U.S. Trade Representative
*MEGAN GRIMBALL, Chair, U.S. Trade Representative
ARTHUR TSAO, Chair, U.S. Trade Representative
*CHRISTOPHER BLAHA, Department of Commerce
*EVAN CONCEICAO, Department of Homeland Security
*BON FLEMING, Department of State
*SARAH GILLESPIE, U.S. Department of Agriculture
BENJAMIN NILS HARDMAN, Department of Commerce
AMY HOLMAN, Department of State
JULIA HOWE, U.S. Trade Representative
TYMOTHY MCGUIRE, U.S. Department of Agriculture
ERIC MULLIS, U.S. Department of Agriculture
*BRYAN O'BYRNE, Small Business Administration
MAUREEN PETTIS, Department of Labor
*CRISPIN RIGBY, Department of State
PETER SECOR, Department of State
TANYA SMITH, Small Business Administration
*TIMOTHY WINELAND, U.S. Trade Representative

STAFF PRESENT
BILL BISHOP, U.S. Trade Representative
TYRELL BURCH, U.S. Trade Representative

WITNESSES PRESENT
HEIDI ALLEN-CARR, MacLean Power, LLC
DAVID AQUINO, SharkNinja Operating, LLC
LEIGH AVSEC, Anaheim Manufacturing Company
RISHI BHUTADA, Star Pipe Products, Ltd.
ROBERT BRADEN, Skyline Steel
MARVIN BRASHEM, M. Brashem, Inc.
WILLIAM BRENNAN, BISSELL Homecare, Inc.
JEFF BUSH, Enerco Group, Inc.
JAKE COLVIN, National Foreign Trade Council
PAUL CZACHOR, American Keg Company, LLC
ROBERT DeHAAN, National Fisheries Institute
JENNIFER DOLIN, LEDVANCE, LLC
RON DUCKSTEIN, Sediver USA, Inc.
JIM ESTILL, Danby Appliances
ADAM FINKEL, Annjoy Imports, LLC
JORDAN HAAS, Internet Association
JOHN HOGE, Sea Eagle Boats
WENDELL HOWERTON, Blue Ribbon Products, Inc.
ERIC JACOBSON, American Lighting Association
EARL JONES, GE Appliances
FRANK KATZ, Cheetah Chassis Corporation
BRAD KAUTZER, Banner Engineering
MICHAEL KERSEY, American Lawn Mower Co.
JUSTIN KOSCHER, Polyisocyanurate Insulation Manufacturers Association
JASON KUHN, Nautilus, Hyosung America, Inc.
ROBERT KYLE, Spectrum Brands
JOHN J. LEEHY, III, ATM Industry Association
JIM LEISHMAN, Pacific Asian Enterprises, Inc.
AARON LEVIN, Beijing DHH Law Firm
JOHN LOGUE, Royale Pigments & Chemical, Inc.
WILLIAM MARVEL, JR., PRCO America, Inc.
JEFF MATTHEWS, Grant Victor
JOSEPH McGUIRE, Association of Home Appliance Manufacturers
BILLY MILLIGAN, Commercial Metals Company

WITNESSES PRESENT (cont.)
MATTHEW MOEDRITZER, Society of Chemical Manufacturers and Affiliates
JAMES NEWPORT, Wanhua Group
ADAM PARR, Gerdau Long Steel North America
JONATHAN POTTS, Precious Metals Association of North America
BRUCE PROCTON, Endura Products, Inc.
BRUCE RENARD, The National ATM Council, Inc.
MICHAEL ROACH, Alton Industry, Ltd.
AMANDA ROBBINS, Signature Brands, LLC
LISA SCHELLER, Silberline
ANDREW SHOYER, Zhejiang Fomdas Food Co., Ltd.
BIKRAM SINGH, NewAge Casting
BRANDON SPARROW, Camp Chief - Vista Outdoor
JOHN STEMEN, Inmotion
SPENCER STOCK, Lester Electrical
HARLAN STONE, American Consumers and Workers Justice Coalition
KATHLENE SWANSON, Telecommunications Industry Association
JIAN TAN, China Chamber of International Commerce
VALENTINE TAUBNER, JR., Ball Chain Manufacturing Co., Inc.
PETER TOMPA, Global Heritage Alliance, Inc.
ROBERT UNNERSTALL, JR., National Cart Co.
WALTER WELLER, China Manufacturers Alliance, LLC
MARK WERNER, Lamplight Farms, Inc.
RUSSELL WESTERN, Transdesic International, Inc.
STEVE WILLIAMS, Elberta Crate & Box Co.
BO YI, Southeast University Law School
LU YU, China Chamber of Commerce of I/E of Foodstuffs, Native Produce and Animal By-Products
HAICHENG ZHU, Zhejiang Chession Law Firm

P-R-O-C-E-E-D-I-N-G-S

(9:29 a.m.)

MR. BISHOP: Will the room please come to order?

CHAIR GRIMBALL: Good morning and welcome. The Office of the U.S. Trade Representative, in connection with the Interagency 301 Committee, is holding this public hearing in connection with the Section 301 investigation of China's acts, policies and practices, related to technology transfer, intellectual property and innovation.

The United States Trade Representative initiated the investigation on August 18th, 2017. Since that time, the trade representative has determined to take two actions in the investigation.

One June 20th, 2018, USTR published a federal register notice imposing an additional duty of 25 percent on products from China, with an annual trade value of approximately $34 billion. Effective July 6th, 2018.

On July 16th, 2018, USTR published a federal register notice imposing an additional duty of 25 percent on products from China with an annual trade value of approximately $16 billion effective August 23rd, 2018.

Unfortunately, China has not responded to these actions by addressing the unfair and harmful acts, policies and practices found in the investigation. Instead, China has chosen to attempt to cause further harm to the U.S. economy.

Accordingly, on July 17th, 2018, USTR published a federal register notice seeking public comment on a proposed supplemental action to be taken in the investigation. The proposed supplemental action is an additional duty on a list of tariff subheadings covering products from China, with an annual trade value of approximately $200 billion.

The proposed rate of duty for the supplemental action initially was ten percent. On August 7th, 2018, USTR published a federal register notice announcing that the trade representative was considering a 25 percent rate of additional duty for the supplement action.

The purpose of this hearing is to receive public testimony regarding the proposed supplemental action described in the July 17th and August 7th notices.

Written submissions, including post-hearing comments, should be submitted by no later than September 6th, 2018. The Section 301 Committee will carefully consider the testimony and the written comments.

The 301 Committee will then make a recommendation to the trade representative on supplemental action to be taken in the investigation. Before we proceed with the testimony, I will provide some procedural and administrative instructions.

The hearing is scheduled for six days concluding Monday, August 27th. And this is the third day of these hearings. We have 46 panels of witnesses with approximately 350 individuals schedule to testify.

The provisional schedule has been posted to the USTR website. We have eight panels of witnesses scheduled to testify today. We will have a brief break between panels and a 35 minute break for lunch.

Each witness appearing at the hearing is limited to five minutes of testimony. The light before you will be green when you start your testimony, yellow means that you have one minute left and red means that your time has expired.

After the testimony from each panel of witnesses, the 301 Committee will have an opportunity to ask questions. Committee representatives will generally direct their questions to one or more specific witnesses.

As noted, post-hearing comments, including any written responses to questions from the Section 301 Committee, are due September 6th, 2018. The rules and procedures for written submissions are set out in the July 17th federal register notice.

Given the number of witnesses and the schedule, we request that when responding to questions, that you be conscious, be as conscious as possible.

We likewise ask witnesses to be understanding when and if the Chair asks that a witness conclude a response.  Witness should recall that they have a full opportunity to provide more extensive responses in their post-hearing submissions.

No cameras or video or audio recording will be allowed during the hearing.  A written transcript of this hearing will be posted on the USTR website and on the federal register docket, as soon as possible, after the conclusion of the hearing.

We are pleased to have international trade and economic experts from a range of U.S. government agencies participating on the 301 Committee today.

If each of you could introduce

yourselves.

MR. CONCEICAO: Good morning, my name is Evan Conceicao with U.S. Customs and Border Protection.

MR. BLAHA: Christopher Blaha with the U.S. Department of Commerce.

MR. WINELAND: Timothy Wineland, USTR.

MR. FLEMING: Bon Fleming, Department of State.

MS. GILLESPIE: Sarah Gillespie, USDA.

MR. RIGBY: Crispin Rigby, U.S. Department of Labor.

MR. O'BYRNE: And Bryan O'Byrne, Office of U.S. International Trade at SBA.

CHAIR GRIMBALL: And I'm Megan Grimball from the Office of the U.S. Trade Representative. We're ready to begin.

MR. BISHOP: Madam Chairman, our first witness on this Panel is Leigh Avsec on behalf Anaheim Manufacturing Company. Ms. Avsec, you have five minutes.

MS. AVSEC: Good morning. I am Leigh

Avsec, Associate General Counsel of Fortune Brands Home & Security, Incorporated. Fortune Brands is the parent company of Anaheim Manufacturing Company, or AMC.

Through its long-term production partner in Chain, AMC sells garbage disposals under several brands, including Moen, Waste King, Whirlaway branded waste disposals and other select private label brands.

I am here today to discuss why the USTR should remove garbage disposals from the proposed third list of products subject to additional tariffs under 301.

There is only one significant U.S. supplier of kitchen waste disposers, InSinkErator. InSinkErator commands an overwhelming share of the U.S. market. There are no sources of imported garbage disposals other than China.

Given the market leaders overwhelming share of the U.S. market and the lack of alternative import sources, imposing Section 301 tariffs on imports of garbage disposals from China could result in a virtual monopoly. This, in turn, would result in significant additional costs to the U.S. public.

There are no manufacturers outside of China other than InSinkErator. It would be an extremely length and expensive process for AMC or anyone else to move the manufacturing of its kitchen garbage disposals to the United States.

In order to build operations in the United States, we would have to take many steps. Including analyzing our supply chain alignment, determining which component suppliers could meet our very high standards, develop a facility, buy equipment, develop specialized sound testing unique to the product, get new certifications for the various electrical components and train a workforce. This could cost millions of dollars and could take years.

We have a trusted, long-term relationship with our supplier. I am not aware of any current intellectual property issues involving disposals.

And in fact, the only alleged intellectual property issues involving disposals that I am aware of, occurred years ago. And has long since been resolved.

Finally, while we are proud of the environmental benefits of our kitchen waste disposers, there is certainly not environment goods being promoted by China's Made in China 2025 policy.

Kitchen waste disposers are not part of the advanced or strategic technologies that the Chinese government is trying to promote. And there is absolutely no evidence that garbage disposals are integral to China's Made in China 2025 policy.

Please, protect fair competition, protect consumers, do not put a tariff on garbage disposals. Thank you.

MR. BISHOP: Thank you, Ms. Avsec. Our next witness is Paul Czachor with the American Keg Company, LLC. Mr. Czachor, you have five minutes.

MR. CZACHOR: Good morning. My name is Paul Czachor and I am the CEO of American Keg Company. A small manufacturing company that uses domestic stainless steel to manufacture stainless steel kegs in the United States.

I appreciate the opportunity to be here and I thank the USTR and all those involved in its Section 301 investigation for taking critical steps to address China's unfair trade practices.

Brief description on stainless steel kegs. Kegs are primarily made of stainless steel and less commonly made with other materials such as aluminum or plastic.

Kegs are commonly referred to as beer kegs, but are also used for wine, cider, coffee and kombucha.

Currently, there are numerous sizes of stainless kegs that are imported from China at a zero percent tariff. We request that the Office of United States Trade Representative apply duties to U.S. HTS Code 7310.10.00 and 7310.29.00, as proposed in the 301 tariff list.

Request that such tariffs be imposed at a minimum level of 25 percent and at that Office of the USTR consider an 88 percent tariff, specifically on stainless steel kegs.

Some background on the imports. China's stainless steel keg imports make up approximately 43 percent of the $1.5 million per year of kegs imported into the U.S. China imported approximately $40 million of kegs into the U.S. in 2017.

There is only one remaining domestic stainless steel keg manufacturer using domestically made stainless steel here in the U.S. There are no specific HTS Codes for stainless kegs. Most kegs are imported under HTS 7310.29.00 and 7310.10.00.

The impact of Chinese imported stainless steel kegs. Domestic stainless steel industry is materially injured by the dumping of Chinese stainless steel kegs in the U.S. market and by countervailing subsidies that Chinese stainless steel keg manufacturers receive from the government.

Chinese imported stainless steel kegs are imported at a cost that is less than the cost of the raw materials, mainly domestic stainless steel purchased here in the U.S., to produce a keg in the U.S.

This unfair pricing practice puts the price of a domestically produced keg as much as 88 percent to 102 percent higher than the Chinese imports. Subsidies given for production of Chinese steel are well documented and give steel users in China a huge unfair advantage.

The most recent 232 steel tariffs has driven up the domestic stainless steel prices greater than 25 percent, which has compounded the issue by increasing the price difference between a domestically produced keg and a Chinese imported keg that is imported with zero percent tariff.

With unfair Chinese imports and

increasing costs of domestic stainless steel, it is impossible for any U.S. manufacturer to compete.

The cost summary. Chinese import of stainless steel kegs are imported at a cost that is just a few dollars more than the cost of the raw materials to purchase a keg in the U.S. I repeat this topic.

You can produce a keg from China for less, you can purchase a keg from China for less than the raw materials in the U.S. to produce a keg.

This is an unfair practice that puts the price of domestically produced kegs as much as 88 to 102 percent higher than the Chinese imports. This obviously makes it impossible for domestic producer of kegs to survive.

The impacts of putting tariffs on Chinese imported stainless steel kegs. Adding steel, adding stainless steel kegs to the 301 tariffs would have a negligible to no impact on consumers and the non-material impact on businesses, mainly breweries, that purchase kegs.

301 tariffs would be effective in eliminating China's bad practices while having no economic harm to U.S. interests. It will effectively allow the U.S. to bring more jobs back and spur growth by allowing companies in the U.S. to be competitive making stainless steel kegs.

In conclusion, we request that the Office of the United States Trade Representative apply additional duties to HTS 7310.10.00 and 7310.29.00, as proposed in the 301 tariff list. Request that such tariffs be imposed at a minimum level of 25 percent and the Office of the USTR consider an 88 percent tariff specifically on stainless steel kegs. Thank you for your time today.

MR. BISHOP: Thank you, Mr. Czachor. Our next witness is Adam Finkel with Annjoy Imports, LLC. Mr. Finkel, you have five minutes.

MR. FINKEL: Thank you for granting me this hearing today. I'm executive vice president of Annjoy imports.

Annjoy imports is a small family owned business which imports paper shopping bags for some of the largest retailers in the United States. Our style shopping bag is known as the Euro Tote.

Some of the U.S. retailers, which use Euro Tote shopping bags include J. Crew, Banana Republic, Brooks Brothers, Sephora, Polo, Ann Taylor, Nordstrom, Victoria Secret, Coach, Nautica, Tommy Bahama, Guess, Swarovski, Godiva, Talbots, Michael Kors, Tiffany & Co., Vineyard Vines, Express and many more.

The stated purpose of the Section 301 tariffs is the elimination of China's acts, policies and practices. Specifically as it relates to IP theft.

While I agree there is a need to curb China's unfair practices in this regard, tariffs of paper shopping bags are completely outside the scope. China couldn't care less about the manufacturing of my shopping bag and has no bearing on any of their behaviors.

In fact, the Chinese government has been threatening to shut down our factories for years. They want to get rid of these factories as it would free up human capital to move workers into high tech jobs. And these tariffs would just speed it up for them.

Our Euro Tote style shopping bags are all made in China. There is no one in the U.S. that could even teach the trade. It would be futile to attempt to move production to America.

And this type of bag has never been made in the United States. To try would result in terrible financial losses for American manufacturers.

If the proposed tariffs on my shopping bags go into effect, one of two things will result. Every company in my industry will stop shipping immediately as the margins are already razor thin and the tariff would cause instant financial destruction.

The majority of us will need to file

for bankruptcy. And there will be no shopping bags in malls across America come the busiest time of year.

Starting Black Friday and going to Christmas and then in perpetuity. Customers will have no shopping bags to carry home their purchased items.

Further, the retail sector at large will suffer additional job losses. Most majority American retailers have numerous employees whose sole responsibility revolves around the designing of the shopping bag and other packaging items.

The shopping bag is what makes each retailer unique. And those who are creative in marketing departments can spend a year, even two, coming up with finished product.

If you place tariffs on shopping bags, thus eliminating its use, many thousands of retailed employers, employees, will be left without jobs. That is the first of two possible results.

The other possible result is that the

tariff gets passed onto the customer, just as the holiday season is beginning. And it's the American consumer who has to bear the cost of any increase as a result of the tariff.

It's a zero sum game where the loser will be either the thousands of American workers who make up my industry and the retail industry at large. Or the loser will be the American consumer who will be hit in their wallets just as the holiday season is beginning. Either way, it's a no win situation. Thank you.

MR. BISHOP: Thank you, Mr. Finkel. Our next witness is Wendell Howerton with Blue Ribbon Products, Incorporated. Mr. Howerton, you have five minutes.

MR. HOWERTON: My name is Wendell Howerton, manager for Blue Ribbon Products from Fuquay Varina, North Carolina. I appreciate the opportunity to testify on behalf of Blue Ribbon and its distributor, Betts Tackle, about the impact of the proposed tariffs on our cast net line.

I am here today, along with my father-in-law and son, who are also with the business, because we truly believe that our family business may not survive this tax. That is why we are asking for your consideration.

First, let me tell you a little bit about Blue Ribbon and Betts Tackle. It all started in the late 1940s when Don Betts parents, Leo and Alma Betts, with determination and perseverance, they were able to keep their business going. And in 1964, their son Don, my father-in-law here today, joined the company.

Today Blue Ribbon imports fishing products for Betts Tackle. In 1979, Blue Ribbon entered the cast net business.

At that time, there was little or no domestic manufacturer of cast nets except for limited amounts produced in a small cottage industry. Thus, Blue Ribbon explored oversea sources for cast nets.

Today about five percent of cast nets are sold in the U.S., are produced domestically and 95 percent are from China. Currently there are three primary importers of cast nets accounting for about 80 percent of the business. All of which are small independent businesses.

Blue Ribbon accounts for approximately one third of the total cast net business in the U.S. Cast nets represent approximately 58 percent of Blue Ribbon's annual sales.

Today Don Betts owns 100 percent of Blue Ribbon. He is the president of Betts Tackle, which is currently owned by Don's three daughters and myself. I am Don's son-in-law.

And we are proud now to have a fourth generation involved in the business, Zak Howerton, my son and Don's grandson, also here today.

We respectfully request that USTR remove cast nets from the list of products that would be subject to the additional duty. Keeping cast nets on the list would cause disproportionate economic harm to Blue Ribbon and Betts Tackle.

Blue Ribbon and Betts Tackle simply cannot shoulder such a large tax. The tax on the cast net is a tax on the entire item, not a component part. Therefore, it bears a total cost and cannot be sustained.

Blue Ribbon cannot domestically source as there is no domestic producer of netting. Blue Ribbon has no choice but to purchase cast nets from China because there are no other significant reliable production capabilities anywhere else in the world.

We constantly look for alternative sources of supply. Last week we found a prospect in Thailand who stated they could make cast nets for us but he said his cost would be 20 to 30 percent higher than our supplier in China.

Of course, we would like, be delighted to have other suppliers outside of China, but the reality is there are none. Blue Ribbon would have to pay the extra duty to continue selling cast nets.

A 25 percent duty would increase our

costs by 25 percent, at a minimum, with no allowance for increased labor and material costs. Most importers can only assume three to four percent with no price increase.

We believe that sales would drop 60 to 70 percent at a medium, at a minimum, because customers would buy for necessity only. That would mean customers would repair and keep their nets longer.

Imposition of the proposed duties on cast nets will not change China's misdeeds. It will also have no effect on China's Made in China 2025 policy.

These high taxes on cast nets will only hurt a successful, small family run fishing tackle business and its sport fishing customers. In fact, cast nets are the very type of product China wants to graduate from producing as a low tech, low wage item. Keeping cast nets on the list will be doing China a favor.

We respectfully request that the provision for cast nets classified in 5608.11.00

be removed from the list of products. Such cost will have to be passed along to customers for us to remain in business.

The only parties hurt by these tariffs will be our small family run business built over decades and U.S. consumers who are American sport fishermen across the country. Putting tariffs on cast nets will do nothing to advance the administrations objectives of combating China's misdeeds or economic aggression.

Which we, as an American business, fully support. Thank you for this opportunity to present our perspective, we'll be glad to answer any questions that you may have.

MR. BISHOP: Thank you, Mr. Howerton. Our next witness is Michael Kersey with American Lawn Mower Company. Mr. Kersey, you have five minutes.

MR. KERSEY: Members of the Trade Policy Staff Committee, thank you for the opportunity to testify today. I am Michael Kersey, president of the American Lawn Mower

Company and Great States Corporation, which I'll refer to today as ALM.

ALM, a family owned Indiana Company is more than 120 years old. We have provided the consumer with a reliable, low emission easy to use option in the lawn and garden equipment market since the company's founding in 1895.

At that time, Robert B. Kersey, my great grandfather, started his business focusing on the reel lawn mower. The reel mower, which is solely powered by the operator's force, continued to be the company's backbone into the early 1940s, after a brief shift supplying, to supplying the U.S. Military with practice bombs.

In the support of our Armed Forces during World War II, the company went back to its bread and butter, the reel mower. And has continued to be an industry leader in this market segment, despite the introduction of the gasoline powered mower.

During the shift from reel to gasoline mowers, ALM was able to whether a well saturated reel market of over 60 domestic suppliers in the early 1950s to four by the '70s. By providing excellent quality, by focusing on customer service and by vertical integration of ALM's processes.

Starting in the '80s, the company made the decision to expand its product offering into the small garden tiller market. However, choosing to focus on a much smaller, more reliable, more environmentally friendly manual, and later, electric tiller segment.

In the early 2000s, our major retail customers began switching away from ALM to cheaper competition in China. We had the choice of losing our customers or developing our own sources. In the only sourcing market available, China.

We choose to remain open for business. Meanwhile maintained a much lower level of production in our Shelbyville, Indiana factory, at a loss, and against all better judgment. We spent millions hanging onto a dying low waged, low skilled manufacturing model in hope that something would change basic economics.

But low cap X, low wage, low skilled jobs will always go to regions with the lowest cost labor, there's no way to prevent this. In 2015 we finally decided, we finally ended all production in Indiana.

We would have gone out of business a decade ago or more having not made the move to China. Today we are totally dependent on sourcing in China.

The vast majority of our products are a no U.S. manufacturing alternative. We agree with the administrations primary goal with regards to tariff.

However, believing that tariffs on our products, electric lawn and garden tools, will help USA manufacturing or USA jobs, is like believing you can help a dog that was just run over by a car, by putting your car in reverse and running over the dog backwards.

A tariff cannot correct the basic

economics of the situation. The tariff on our products will only hurt American jobs.

Fast forward to last year. We not only survived but we thrived with the help with our overseas partners. Moreover, once you factor in the supporting logistical requirements of moving product around the world, the net effect on U.S. employment is arguably a positive.

We offer many more products and at a higher volume than we were ever able to offer with our own manufacturing. ALM products are sold at Walmart, the Home Depot, Amazon, Lowes, Ace Hardware, True Value and more.

A number of ALM products are on the proposed section 301 tariff list, including lawn sweepers, blower/vac/mulchers, blowers, pressure washers and a number of replacement parts needed for these and other products. We supplied a detailed list of the tariff numbers of concern with requests to participate in the hearings filed July 27, 2018, and in our written comments to be submitted on September 6th, 2018.

These products represent a significant portion of our sales, and are almost no U.S. manufacturers of these electric and battery powered products, and almost certainly no products wholly manufactured in the U.S.

ALM has no choice but to import these products in a predominant source as China. It is difficult for us to imagine that other countries would be able to replace China as a supplier of these products.

And we do not foresee that ALM or any other U.S. company can begin to manufacture these products in the United States without a lengthy disruption in supply. If the administration imposes tariffs on our products, it will jeopardize ALM and will not help a single U.S. manufacturer.

Moreover, because ALMs products are designed for home use, the imposition of tariffs on ALM's products would have a disproportionate impact on American households. Our customers rely on ALM's products for low emission, yard and garden care.

And our products are typically much smaller and easier to use than the larger gas powered products. The tariffs would greatly impact the consumer, especially the independent and elderly, independent elderly and women.

ALM's products are not high-tech, they are not the sort of things that benefit from China's intellectual property practices nor do they contribute to China's high-tech ambitions. It makes no sense that these products are on the proposed tariff list.

In fact, I would think that imposing tariffs on these products will run counter to what the administration is trying to accomplish here. It would only encourage Chinese producers of these goods to migrate to more expensive higher tech products. The product, the sort of products we are attempting to target with these 301 targets.

TPSC staff, ALM will supplement this testimony as necessary with a post-hearing brief, but I thank you for the opportunity to testify today and I look forward to any questions.

MR. BISHOP: Thank you, Mr. Kersey. Our next witness is Joseph McGuire with the Association of Home Appliance Manufacturers. Mr. McGuire, you have five minutes.

MR. MCGUIRE: Good morning, my name is Joe McGuire and I'm CEO of the Association of Home Appliance Manufacturers.

While we agree that the administration should address Chinese trade, polices, acts and practices, we oppose the proposed additional tariffs for many home appliances, parts and components, as specified in our written testimony. It will cause harm to consumers and our members, it will not have the impact for which they are intended.

If not already this morning, it is quite likely that sometime today every member of the Committee, every Panelist at this table and virtually everyone in this room, has or will benefit from use of a home appliance. From preserving food to personal grooming to cooling and improving indoor air quality, to cleaning floors and carpets, appliances are not only life enhancing, they are a necessity in many cases.

Our members include companies that manufacture products in the United States employing tens of thousands of people. They include companies that manufacture in other countries and companies that do both. In virtually every case, home appliance manufacturers rely on a global supply chain.

Our industry is also extremely competitive, and as such, the consumer cost for purchasing home appliances has consistently trailed the CPI for decades. This proposed tariff increase, specified in our testimony, if approved, will change this consumer success story to a formula for failure.

This comes at a critical time when our industry, through innovation, technology and investment, is delivering more energy efficient products than ever and is on the cusp of expanding the value of our products through connectivity and a smart home environment.

Many of these products and parts are included on the proposed tariff list. Including refrigerators, freezers, room air conditioners, dehumidifiers, hair clippers and shavers, counter top ovens, portable heaters, irons, vacuum cleaners and many critical parts for these products. Including print circuit boards, motors and many more.

The proposed tariffs insert an international trade dispute into American family's kitchens, living rooms and bedrooms and will impact their daily lives. Increased costs due to tariffs could mean that these essential products are no longer affordable for some people, especially the most vulnerable in our communities.

This includes room air conditioner purchasers who are predominately low-income consumers. It includes retirees who purchase nearly a quarter of these products.

Air conditioning effects not only comfort but health and safety. It includes refrigerators and parts, especially units with a top mount freezer, which are popular with elderly and low-income consumers.

Refrigerators are most likely purchased by these individuals to replace a unit that no longer works and who have no other means to store perishable food.

Even for other products, such as portable appliances, with prices relatively low, consumers will feel even small increases. The impact will also be significant on manufactures.

As a result of the already imposed tariffs on products in steel and aluminum, some companies may delay or cancel planned R&D investments in the U.S. or upgrades to infrastructure because they are shifting resources away from these activities, to attempt to revamp their existing global supply chains.

Our members fear additional tariffs could mean lost jobs in the U.S. Global supply and chain management is key to efficiently building and distributing home appliance across the United States. Manufacturers will need up to three years to qualify new suppliers from other sourcing countries, including the U.S.

With regard to our ability to build new supply chains, room air conditioners, portable air conditioners, dehumidifiers, vacuum cleaners and compact refrigeration products are primarily only made in China. Shifting sourcing countries would take years resulting in product shortages and price increases.

We will supply a complete list of component parts on the proposed U.S. tariff list for which no alternative supplier, outside of China, exists. A few examples include safety glass, metal name plates, control boards, electric conductors and alternating current motors.

We will also supply a list of components where no U.S. supplier exists. Examples include parts for electric heaters, regulator valves for appliance, screws and bolts for appliance and glass wall insulation.

We respectfully request that USTR not impose new or additional tariffs on these products and parts I have mentioned today, in which will be detailed in full, in a hand written comments. Thank you for the opportunity to provide our views, I'm glad to answer any questions that you may have.

MR. BISHOP: Thank you, Mr. McGuire. Our next witness is Valentine Taubner, Junior with Ball Chain Manufacturing Company, Incorporated. Mr. Taubner, you have five minutes.

MR. TAUBNER: Good morning, my name is Val --

CHAIR GRIMBALL: Mr. Bishop, could you adjust the time?

MR. TAUBNER: Very good. Good morning, my name is Val Taubner and I am the chairman of the board of directors of Ball Chain Manufacturing Company. And also, the past president of Ball Chain in Mount Vernon, New York.

I am pleased to appear before you and offer comments which I hope will inform your decision as to the implementation of Section 301 tariffs on Chinese imports.

Currently, it is not easy to run a manufacturing business in this country and compete with other manufacturers throughout the world, but as who we are and over the years we have become better and better at it.

Since 1938, Ball Chain Manufacturing has been family owned and operated. My grandfather and father started the company in a small garage behind their home in the Bronx, New York, and we have grown from there.

From our roots as a three-person operation, Ball Chain has grown to become the world's largest producer of metal ball chain, making millions of feeder chain per week at our Mount Vernon, New York factory.

We proudly produce the highest quality

ball chain in the world. And since 2003, we are the only company to manufacture ball chain domestically.

Today my sons Bill, Val and Jim lead the company. I, by the way, have been with Ball Chain for 60 years. It is also important to recognize that many of our employees are long-term too.

Our products are part of everyday life around the world. We are the exclusive chain supplier to the U.S. Military for the ID dog tag necklace.

It is our ball chain that is an integral component of window roller shades, toilet tank assemblies and electric light switches.

Our ball chain is noted for use as a key chain, as well as luggage and handbag attachments. We also fabricate a multitude of loose metal bead shapes for the jewelry industry.

Throughout our company's growth we have maintained a strong commitment to our employees and their families. We offer paid health insurance for each worker and a safe harbor 401(k) plan. As well as other benefits.

Ball chains record of accomplishments, including sustainable business practices, continues despite seemingly unfair practices from our trading partners and less than effective enforcement of classification subheadings for imports under the harmonized tariff schedule of the United States.

For decades, the responsibility for policing unfair competition, trader regularities, and custom violations has often fallen on our shoulders. Nearly a decade ago we successfully challenged the importing practices of our largest U.S. competitor, who had previously manufactured its product in the United States.

While we received the permanent injunction in damages, the process has been onerous for a small family company. Sadly, the underlying practices that gave rights to our plants slowly exist industry wide.

I appear before you today because the playing field is not level. We do our best to compete on the international stage but it is nearly impossible.

We suspected our competitors in China and elsewhere, including South Korea, are benefitting from dumping practice and subsidies in their countries. Artificially low priced imports from China and elsewhere, of metal ball chain and the like, have flooded the U.S. market forcing us to operate with razor thin margins and sometimes loses.

We also experienced tremendous difficulties signing products into China and South Korea. Because tariffs of approximately 38 percent are tacked onto our products.

In contrast, when the same products are imported here, the U.S. government adds customs duty of three percent or less. And importers routinely miss classify goods to avoid tariffs entirely.

Under these current conditions we're

in, jeopardy of having to cease U.S. manufacturing operations. In a perfect world, there would be no need for tariffs, every player would compete fairly.

Unfortunately, this is not the case, particularly with respect to China and South Korea. Therefore it is our position that Section 301 tariffs are necessary in the interest of fundamental fairness.

Accordingly, we support the imposition of proposed tariffs in the amount of 25 percent for Chinese goods imported under HTS U.S. Codes 7315.11.00 and 7315.12 and 7315.19.00 and 7315.89.50 and 7315.90.00. Thank you for your time and remain available to assist you in your inquiry.

MR. BISHOP: Thank you, Mr. Taubner. Our final witness on this Panel is Walter Weller with the China Manufacturers Alliance, LLC. Mr. Weller, you have five minutes.

MR. WELLER: Thank you. CMA, LLC is an importer of truck tires from China. We are based in Monrovia, California and have been operating in the U.S. since 2003.

We sell our tires to about 100 tire dealers across the country. In addition to OEMs and Fleet end users in the U.S.

These dealer customers represent over 1,000 points of sale as well as over 20,000 employees. Chinese tires represent an estimated 40 percent of the U.S. replacement tire market in the U.S., or about seven million units.

Our tires are a significant source of profit for our dealers, without which many of them would have a difficult time staying in business.

Domestic manufacturer's tires are sold primarily to large fleets, via national account programs, which offer commissions to dealers in the form of credit memos, that can only be used to purchase more of their products.

Our products, on the other hand, are sold to small end users on a cash basis, which allows our dealer customers to pay their employee's salaries as well as their overhead.

As such, this segment of the market is vital to the health of these tire dealers and their employers. And their employees.

A U.S. tire dealer who deliveries a tire to a national fleet receives a credit memo of approximately $25 to $35 per tire. The double prime brand tires that we sell to these same dealers are typically much more profitable.

These tires and tire related services are the biggest contributor to dealer profit, and more importantly, their cash flow.

Additionally, small to mid-size fleets and end users, such as owner operators of which there are about 350,000 in the United States, are the main user segment for tires from China.

There are 500,000 trucking companies in the U.S., of which 80 percent, or 400,000, approximately 400,000 trucking companies, own six trucks or less. So this segment impacts very much the small business operator.

They would also suffer from these

tariffs as there's not enough domestic manufacturer in capacity, in the U.S., to satisfy the demand as we speak. I have included some slides to show industry data to support all of this information.

To satisfy the demand in the U.S., tires have to be imported or there would be severe shortages causing all tires to increase in price. History has demonstrated this.

Additionally, as the charts likewise show, the only market globally that has the capacity to satisfy this demand is China. Adding an additional cost of these Section 301 tariffs to the tires that these small and mid-size fleets and owner operators use, would negatively impact them with no real benefit to the country or the industry. As the tires will have to come from somewhere else to satisfy the market demand and that is not possible.

Finally, tires are not part of the Made in China 2025 program. And the technology and used today, in the tire industry, has been widely available, globally, for the past few decades.

This is the primary criteria for determining whether tariffs should be implemented on tires from China. And we respectfully request that tires be excluded from these tariffs. Thank you very much.

MR. BISHOP: Thank you, Mr. Weller. Madam Chairman, that concludes direct testimony from this Panel.

CHAIR GRIMBALL: Okay, we'll begin the questions in a few moments. Thank you for your patience, we're ready to begin.

MR. BLAHA: Thank you. I have a question for Ms. Avsec from Anaheim.

I understand that you compare the InSinkErator, makes its disposal products in the United States and has done so for a significant amount of time --

MS. AVSEC: Yes.

MR. BLAHA: -- has Anaheim ever manufactured in the United States and either if so, why, what would the rationale for moving, or I guess, if not, why source from China generally?

MS. AVSEC: Okay.

MR. BLAHA: Actually, let me start with that, I have another follow-up question.

MS. AVSEC: Sure. No, I believe that we have never sourced, or never manufactured in the United States.

We've had, as long as I am aware, we acquired them fairly recently, just a longstanding relationship with a supplier in China. We have certainly looked at other opportunities in other places to manufacture, but we have found that the manufacturing that we have received in China has been great with a really great relationship.

Not subject to any of the intellectual property issues that we do understand occur in China. We haven't experienced any of those.

And frankly, it's been a situation that's worked very well for us. And we've wanted to continue trying to grow this business in face of huge competition by, you know, frankly a competitor that had near monopoly assets.

MR. BLAHA: All right, thank you. And to your knowledge, does Anaheim's facilities in China incorporate any U.S. content? Is the U.S. part of its supply chain for that?

MS. AVSEC: I'm sorry, could you, I'm sorry.

MR. BLAHA: Does your production facilities in China incorporate any U.S. content?

MS. AVSEC: I'm not aware of that, but I would certainly look into it and respond in our comments on September 6th.

MR. BLAHA: Thank you. And I guess, you mentioned that InSinkErator had a very large share of the U.S. market, can you put a number on that?

MS. AVSEC: I think around 90 percent. It's an overwhelming share of the U.S. market.

MR. BLAHA: And so I think as part of your testimony you indicated that, for instance, if these tariffs went into effect and Anaheim wasn't able to import, at least the prices you currently are, that would presumably increase prices for consumers?

MS. AVSEC: Yes.

MR. BLAHA: So, given an estimate of what your entry into the, existence into the market, how much that depressed prices currently?

So I'm trying to get a feeling what the margin would be.

MS. AVSEC: I can get that for you in our comment.

MR. BLAHA: Okay, thank you.

MS. AVSEC: Thank you.

MS. GILLESPIE: Hi, I have a question for Mr. Czachor. Can you provide a little more information on what the effects of your proposed tariffs would have on U.S. consumers?

MR. CZACHOR: We feel that would be negligible just because the impact would be basically for breweries or other businesses that buy kegs.

And when you look at, a keg can last

up to 20 years, and obviously most kegs don't always last 20 years, but when you amortize the additional costs over the life of a keg, it's a minimal impact to brewers who would buy a keg and most likely would not even be passed on to the consumer.

I have previously submitted an analysis with some business confidential information. At the last hearing, I will certainly submit that information, post-hearing comments, so you can see that analysis.

MS. GILLESPIE: Great. And in your view, would tariffs at the 25 percent level, level the playing field for your business?

MR. CZACHOR: It would not level the playing field but it would be a step in the right direction and give us some breathing room.

MS. GILLESPIE: Great, thank you.

MR. CZACHOR: Thank you.

MR. O'BYRNE: Mr. Finkel, just two questions. Is there a reason that serrated edge paper bags could not be used in place of the non-serrated shopping bags?

And, is your company's U.S. suppliers of serrated paper bags able to shift production to non-serrated, to fit your company's needs?

MR. FINKEL: Sure. Serrated edge shopping bags are typically used in a supermarket. They're made by machine. Or if you go to a pizza shop and you carry out. Those are brown paper bags.

To answer your question directly, the capacity is not there. But moreover, for a retailer, their brand revolves around my type of shopping bag.

They spend a lot of money, a lot of years designing it. And it would be a detriment to them to limit them to a machine-made serrated edge bag made in this country.

There would be no brand recognition, there would be loss of a lot of jobs. And it just, it wouldn't be a fit.

It wouldn't be appropriate for these high-end retailers where a consumer is going to come in and spend a significant amount of money to put it in a serrated edge shopping bag that provides no brand awareness and that feeling you get when you go to a store and you buy an article of clothing and they put it in a nice shopping bag and you take it home and you reuse it. You lose all of that with a serrated edge bag.

And, again, there's, you couldn't put serrated edge bags for all these retailers, there just, there would be no bags available.

And to answer your second point, American manufactures use serrated edge, make serrated edge bags by machine, whereas our bags are made by hand. So, it would be impossible for American manufacturers to transition from machine-made bags to manual made bags.

That skill set does not exist in this country. You would have to bring in Chinese nationals into this country, to even teach the skill set.

So, that, again, is not an option. Serrated edge manufacturers transitioning to manual made bags.

And, it's not like they haven't thought about it, it's just, it just couldn't happen. They would lose so much money trying to even set up shop. And they'd continue making a machine-made bags. And that's all - that's their only option.

MR. O'BYRNE: Thank you.

MR. FINKEL: Thank you.

MR. FLEMING: Mr. Howerton, you indicated that there are only three primary importers of cast nets in the United States. And presumably the other two are also importing their products from China.

So, why do you believe that customers would not tolerate price increase when there doesn't appear to be other options?

MR. HOWERTON: Yes, those are being made in China. I think it's because it's a consumable good, they would not want to spend the extra money on that.

They would, just as I stated in my

testimony, they would just wait to repair them rather than buying a new one. Because that would be the easiest thing for them to do.

MR. FLEMING: And how many times can you repair a net like that?

MR. HOWERTON: It depends on the damage obviously. If it's small damage, it's still, it's very labor intensive for them to do that.

And I don't know if any of you know what a cast net is, but this is an example of one, where you throw it out to catch fish and stuff and bait. But if it hangs on something, obviously if it gets a big enough gash in it, it will have to be replaced.

But the primary thing is sometimes it's so labor intensive that a lot of times easier to go buy it if the price is affordable to do so.

CHAIR GRIMBALL: I have one follow-up question. I think you mentioned in your testimony that five percent of these cast nets were made in the United states, is that correct?

MR. HOWERTON: Yes, ma'am.

CHAIR GRIMBALL: I know this is not your company, but would you anticipate that those producers of those five percent nets would be able to increase their production and therefore provide even more competition, for your company, who imports nets?

MR. HOWERTON: No, ma'am, I don't.

CHAIR GRIMBALL: Oh.

MR. HOWERTON: I think the reason is because, even the netting that they use to make those are made in China, because there's no machines here that make the mesh for the cast nets. Especially with the smaller nets, there's no machines here, so all of that would have to come from China anyway.

Plus, it's a very, it's not high-tech but it takes a lot of skill to learn how to sew them together. And I don't think anybody wants to spend that much time trying to sew together a net because everything is hand, after the netting

is made, it's all hand put together and
assembled.

MR. BLAHA: Sorry, just another follow-up, if I may? Correct me if I'm wrong, but I thought you had mention, I think, that already there was some cost increases in the quotes you were getting from your supplies in China due to things.

Can you give me a picture of what the future price dynamics here, our cost increasing in China?

You mentioned you were, I think, exploring sourcing in Thailand or other places. Is eventually sourcing going to move outside of China just due to the economics of it?

MR. HOWERTON: Based on past experience, when you go into a labor market, i.e. Japan and Taiwan and now into China, as I guess they mature, the labor market will move from country to country.

So, eventually, I think it possibly could move to other places but it's going to take a lot of infrastructure to be established in those other places. Like machines to make the netting.

Also, the skill set. You'll have to have somebody on the ground there to train them, and that will take a lot of time to do. So, just from that perspective, that's why.

MR. BLAHA: So, years away or --

MR. HOWERTON: Yes, several years. Yes, sir. Because it's so detailed oriented on how you do things to get them possibly open.

We've had nets made in Thailand before, I'm sorry, in Singapore before and the quality was terrible because they just did not know how to do it. And that was 15 years ago, or so.

Now, as I stated, the Thailand operations are making them but it's on the higher-end. And they're not even available to make the lower-end type nets. Or the lower cost nets.

MR. BLAHA: Thank you.

MR. HOWERTON: Yes, sir.

MR. RIGBY: My Question is for Mr. Kersey, from American lawn mower. I just wanted to know whether the components you've identified in your oral or written testimony is available in any country outside of China?

MR. KERSEY: Components or products in general? I mean, there is --

MR. RIGBY: I guess we could start with components and then products in general.

MR. KERSEY: So, you're talking about a replacement parts? That's what we call our components.

So, the replacement parts and the components are not as, it's not a huge volume for us. We do have it on our list but the more important is the, the items to us are the blowers, vacs, power washers, et cetera.

And we don't have, we don't know of any U.S. manufacturing in quantities that we would need. And I don't think it exists to be honest.

And I certainly don't think wholly made blower vacs, electric blower vacs and power washers are made in the United States anymore. If they are, they're brought in from China typically and then maybe some added wheels or boxed here in the country.

So, I don't know of any U.S. manufacturing that we can take advantage of. Or even the competitors.

MR. RIGBY: But as far as alternatives outside of China, I think you had mentioned that the predominant source was in China but are there --

MR. KERSEY: Yes, the predominant source is in China. By predominant I mean we can't find them anywhere else.

MR. RIGBY: Okay.

MR. KERSEY: So, I'm sure it does exist someplace, but the access, our ability to access that is very, very limited.

Like you were saying, the infrastructure just isn't there in a lot of those cases. I've seen some kind of weird off brand things that kind of look like a power washer, but I have no idea how those were made. And they're not accepted in the U.S. market anyway.

MR. RIGBY: All right, thank you.

MR. CONCEICAO: Good morning. This question is for Mr. McGuire.

In your testimony, you talked about how some of the companies within your association have had to, in light of the additional duties that have been imposed as well as those that may be imposed in the future, had to cancel R&D plans. And you alluded to the fact that they may put off planned investments in infrastructure and facilities domestically.

First, did any of those planned expansions involve a significant increase in U.S. employment or manufacturing capacity that these duties would put at risk?

MR. MCGUIRE: I mentioned in my statement that companies are considering delaying investments in R&D, not that they already had.

But, if you're upgrading infrastructure and doing R&D for new products, those, very likely, would involve additional employment if you're successfully able to complete those projects.

MR. CONCEICAO: Okay, so there is nothing, there's no firm numbers in place right now, these are just considerations that are being taken into account? If I understand correctly.

MR. MCGUIRE: That is correct. I can provide more detail information in our written statement.

MR. CONCEICAO: That would be terrific. And one other thing I'd like to ask is, in the event duties are imposed, and you indicated companies would have to consider alternating their supply chains, do you anticipate that this could have a positive or negative effect on U.S. manufacturing capability? Employment domestically and the like.

MR. MCGUIRE: I think it's more likely it would have a negative impact. Because of the lack of some suppliers, outside of China.

Even if you could find an alternative supplier, for out types of products, which are electrical obviously, developing a supply chain and certifying manufacturing facilities for safety is a very long process. So, there would be delays, there certainly would be increased costs.

So, if there is delays in increased costs, that means some consumers are going to opt out of purchasing products. And that is going to certainly impact jobs negatively.

MR. CONCEICAO: Fair enough. Thank you very much. And I get to go again.

Mr. Taubner, question for you, if I may. Does your company have the capability to meet domestic demand if additional duties were imposed on the HTS numbers that you request?

MR. TAUBNER: Yes. At this point we're only running one shift.

MR. CONCEICAO: Okay. And out of curiosity, the ball chains, are they, they're made out of steel?

MR. TAUBNER: They're made out of steel, they're made out of brass, they're made out of stainless steel, they're made out of copper.

MR. CONCEICAO: So have, if you can say, the recent Section 232 duties, increased the cost of the raw material for the product to be produced?

MR. TAUBNER: Yes, they have. The issue there is that the duties, if we're buying, if we buy our metal from overseas and there's increased duties on it coming in, it's costing us that much more to produce our product.

However, the issue is that if the manufacturers in China make their chain over there, or Korea, they're not paying those duties right now.

MR. CONCEICAO: Understood. Thank you very much.

MR. WINELAND: And, Mr. Weller, I have a two-part question, kind of interrelated questions. The first question is, since numerous countries in Asia and Europe manufacture tires, can CMA source its tires from these other countries?

And the second question is, could you speak a little bit about capacity in those other countries?

You've helpfully listed in your slide the top ten countries that - from which we import tires, could you speak to their ability to increase capacity or where they're at in terms of your ability to source from them?

MR. WELLER: Yeah, I'd be happy to. The - actually, there is a slide in there that addresses that issue.

It's the one that's titled "Chinese Truck Tires in the Major World Market," and you'll notice that every market, with the exception of China and Japan and a little bit in Korea, requires imports to meet the demand in the marketplace.

In those other markets, they are basically operating tire plants at full capacity, as they are in the U.S.

Right now, the market in the U.S. is enjoying some robust growth and there are shortages as we - as we speak there are shortages, particularly due to the production of new trucks on the OEM side.

The - in addition to that, the domestic manufacturers, they look at that. On that first slide or second slide, it shows historical supply and demand in the U.S.

They see the same numbers that you're looking at and they have consciously made a decision not to invest in additional capacity in the U.S.

Many reasons for that, but that - since 1990, there is been only one new truck tire manufacturing plant in the United States, in spite of the fact that the replacement market has grown from about 8 million units at that time to almost 20 million units in 2017.

These are smart people. They see those same numbers. They have intentionally not invested in the capacity, and many of them are on that list that shows the imports by country. Many of those manufacturers also import from Thailand and Canada and even China.

So I hope that addresses your question.

MR. WINELAND: Thank you.

MR. BURCH: Madam Chairman, we release this panel with our thanks, and would Panel 18 witnesses make their way to the front and be seated and Panel 19 witnesses make their way to the witness holding area?

(Pause.)

Madam Chairman, our first witness on this panel is Robert DeHaan with National Fisheries Institute.

Mr. DeHaan, you have five minutes.

MR. DEHAAN: Thank you, and good morning.

I am Bob DeHaan with the National Fisheries Institute. NFI appreciates the opportunity to respond to the administration's plan to impose 10 or 25 percent ad valorem tariffs against $200 billion of goods sourced annually from China.

NFI represents the entire commercial seafood value chain in the United States, ranging from harvesters to retailers and restaurants.

Utilizing a mix of domestic and globally sourced products, NFI member companies provide American and overseas consumers with billions of seafood - nutritious seafood meals every year.

On behalf of these companies, NFI opposes the inclusion of any seafood items including USTR's July 10 proposal and urges the administration to find another more effective means of disciplining the PRC for the violations documented in the March 22 Section 301 report.

The policy will harm American workers in multiple ways. First, a substantial amount of the nation's domestic catch is processed in China and then shipped back to the U.S.

The proposal will punish American

fishermen and the communities that rely on them by making their products more expensive for American families to eat.

Of the $2.7 billion in annual seafood shipments subject to the proposal, an estimated $950 million - more than a third - comes from an American fisherman, primarily, an Alaska fisherman harvesting in U.S. waters in a U.S. flag vessel using a U.S. crew.

In many cases such as the iconic Bristol Bay salmon run that just concluded this year, the fishermen are family-owned enterprises who sell their catch to seafood companies for processing, distribution and sale around the world.

How punishing these harvesters and these businesses for in effect buying American will convince China to respect its obligations regarding intellectual property rights and technology transfers is difficult to fathom.

Cutting fish is not an intellectual property secret and it has nothing to do with

Made in China 2025.

Second, the USTR proposal harms U.S. workers at U.S. processors, distributors, retailers and restaurants that depend on an efficient year-round supply of a variety of seafood items to meet domestic demand.

The Department of Commerce estimates that more than 40 percent of the industry's direct U.S. employment nationwide rests on a product sourced from abroad.

Taxing these businesses for utilizing global sourcing will cost American jobs in the middle and tail of the supply chain.

Forced to abandon China sourcing, these companies in many instances will have no choice but to drop that product line or select a third country substitute, which itself will require significant cost and expense and time.

The existing supply chains in seafood as in any other sector can take many years to build, refine and perfect.  Modifying them is neither simple nor inexpensive.

For small and medium-sized business trying to efficiently supply the nation's largest retailers and restaurants it will be impossible on the administration's likely time line.

Even in cases where a ready substitute may exist, the end result will be restricted supply, narrow choices and higher consumer prices for a protein numerous federal agencies including agencies on this panel for years have urged Americans to eat in far larger amounts.

Third, U.S. seafood exporters now face a perilous time and this proposal will worsen their prospects.

Exporters of salmon, lobster, Alaska pollock, cod, halibut, sole, whiting, crab, oysters, and a dozen other species are now reaping the whirlwind sowed by the administration's Section 301 dispute.

They face debilitating tariffs of 25, 35, even 45 percent on their shipments to China, a market that in 2017 accounted for more than one-fourth of all U.S. seafood exports.

This is happening even as China has been unilaterally reducing duties on these and other products in order to spur additional domestic supply for the world's largest middle class.

U.S. fishmeal exports, for example, in recent years have built a leading market position. But starting tomorrow, those exports will face 27 percent tariffs.

To repeat the point, how making American exporters less competitive in their industries' single largest overseas market will hobble the Made in China 2025 program or discipline China for IP theft is, to put it mildly, less than clear.

All of this, it should be noted, comes at a time when seafood producers are already paying more essential inputs, such as retail cans, because the administration's Section 232 tariffs have made those inputs more expensive.

In sum, the administration's List 3 proposal invite yet further Chinese retaliation against U.S. seafood exporters, will make American fishermen uncompetitive in their own country and will cost U.S. processing, distribution, retail, restaurant and other jobs, many in small and medium-sized businesses unable to modify supply chains overnight like so many Legos.

NFI urges the administration to remove all Chapter 3 and Chapter 16 tariffs lines from the proposal and to find alternative and effective means of addressing the violations documented in the Section 301 report.

Thank you.

MR. BURCH: Thank you, Mr. DeHaan.

Our next panel witness is Justin Koscher with Polyisocyanurate Insulation Manufacturers Association.

Mr. Koscher, you have five minutes.

MR. KOSCHER: Thank you. Good morning.

My name is Justin Koscher and I serve as president of the Polyisocyanurate Insulation

Manufacturers Association, or PIMA. On behalf of our membership, thank you for the opportunity to testify this morning.

PIMA members include eight North American manufacturers of polyisocyanurate, or polyiso, insulation in 20 raw material suppliers.

Our members operate 30 polyiso manufacturing plants in the United States. Polyiso insulation is the most widely used material in the commercial roofing industry due to the product's superior thermal and fire performance. These are key metrics for complying with building code requirements here in the U.S.

Polyiso insulation is readily available across markets, which allows contractors to consistently rely on the product for customer projects.

Collectively, insulation manufacturing directly employs 37,000 U.S. workers across 42 states. The industry, including the manufacture, distribution and installation of insulation generates more than a half a million jobs and $30 billion in payrolls.

PIMA supports trade policies that enable the free, fair and efficient exchange of goods between the U.S. and our trading partners.

Furthermore, we support the administration's broad goals of addressing unfair trade practices.

However, the administration's proposed tariffs on certain Chinese imports create potential headwinds for polyiso insulation manufacturers.

In particular, the proposed tariff on imports of methylene diphenyl diisocyanate, or MDI, and polymeric MDI, or pMDI, as described under the subheading 3909.31.00, has the potential to damage our industry.

Due to the risk of economic harm to U.S. manufacturers of polyiso insulation, we oppose the inclusion of these chemicals in the proposed supplemental tariff action.

MDI and pMDI are the primary raw materials by volume used in the manufacture of polyiso and by volume I mean more than 50 percent of what comprises our insulation products.

The industry currently uses approximately 600 million pounds of these materials each year. Furthermore, there are no chemical substitutes available to replace MDI and pMDI, as these materials are elemental to the chemistry of polyiso insulation.

In terms of raw material supply, there are multiple domestic suppliers of these chemicals.

However, MDI and pMDI are also critical components in many other polyurethane applications, as I believe the committee has heard or will hear throughout the six-day hearing.

As a result, the U.S. is currently a net import market because demand across all end uses exceeds the current domestic supply capacity.

Imports from China help address this supply imbalance, as do imports from other U.S.

trading partners.

With respect to imports, it is important to note that certain end uses including polyiso insulation require bulk shipments of MDI and pMDI, typically delivered in rail cars.

This places an additional and unique requirement on the type of imports that are suitable to industries like the polyiso industry.

Given these current market conditions, the proposed tariff creates the potential for supply chain disruption, which would negatively impact manufacturers of polyiso insulation and the industry's ability to meet a growing market demand for its products.

Disruptions in the availability of polyiso insulation also threaten long-term harm in the form of reputational damage to manufacturers.

Over the past several years, the polyiso industry has been challenged by supply chain disruptions caused by extreme weather events in the Gulf Coast region, such as

Hurricane Harvey, and unexpected process-related issues from suppliers.

These impacts highlight the vulnerabilities associated with the supply of key raw materials, which could be exacerbated by the proposed tariff.

The outlook for our industry is positive. The year over year increase in demand for high-performing more resilient buildings is driving a greater use of insulation products.

We urge the administration to allow for the continued growth of domestic manufacturing and to seriously consider the unintended consequences of this particular trade policy, and we respectfully request that the administration delist MDI and pMDI from the proposed List 3 tariff action.

Thank you.

MR. BURCH: Thank you, Mr. Koscher.

Our next panel witness is John Logue with Royale Pigments & Chemicals, Incorporated.

Mr. Logue, you have five minutes.

MR. LOGUE: Thank you for allowing me to speak in front of the committee today.

My name is John Logue and I am the CEO of Royale Pigments & Chemicals and its affiliated company Shorechem and AWSM.

We are a specialty chemical distributor, importer, exporter and manufacturer. We supply high-end performance chemicals into electronics, metals, pharmaceuticals, agrochem, nuclear, gas production and aerospace.

We source 85 percent of our chemicals offshore as they are no longer domestically manufactured in the United States.

The majority of these chemicals we manufacture in China. Section 301 tariffs will significantly harm our ability to compete and may eventually put us out of business.

We are a small company. We have $50 million in sales and nine employees. These employees handle sales, marketing, quality and technical services.

We outsource just about everything

else - transportation, warehousing, finance, regulatory compliance, et cetera, et cetera, to other companies in the United States.

Indirectly, we employ close to 65 people. The multiplier effect of putting us out of business is 74 jobs to be eliminated. That's folks who work at our converters, our accountants, and everybody else. I do not think that is the intent of the administration.

Let me explain the costs to us and the economy on these tariffs. 2826.19.10, fluorides other than ammonium, sodium and aluminum; 2826.90.90, other complex fluorine salts - we purchase approximately $7 million of products from China in these two HTS codes.

With the 301 tariffs, the 25 percent, this will be an additional $1.75 million that we will pass on to customers.

This will raise the price of many items in the United States including electronics, pharmaceuticals, herbicides, aluminum products, and aerospace and defense parts.

The products I mentioned above are no longer manufactured in the United States. In 2017, the industry as a whole filed an MTB appeal and has received the initial approval for a waiver on the tariffs of these Congress. This is now in Congress.

This decrease in costs help our domestic downstream manufacturers remain competitive against global competitors, many of them in China.

The result of a proposal will be to help our rivals in moving their production up the value chain by enacting tariffs that not only harm importers but substantially raise the costs of our critically important domestic manufacturers who export many of these products.

Many of our customers have options to buy products out of Europe. There are no punitive tariffs on European chemical producers.

We will be forced to raise prices. The Europeans will most likely raise their prices not to the 25 percent level, but just enough to take our business.

The end result would be lost business for my company and higher costs to U.S. companies that need chemicals not produced in the U.S. to make their goods.

Bringing production back to the United States on these products, if economically feasible, would take years to accomplish and only if we have the capital and administrative support long term.

Thank you.

MR. BURCH: Thank you, Mr. Logue.

Our next panel witness is Matthew Moedritzer with the Society of Chemical Manufacturers and Affiliates.

Mr. Moedritzer, you have five minutes.

MR. MOEDRITZER: Thank you, Section 301 Committee, for the opportunity to testify today.

The Society of Chemical Manufacturers and Affiliates, or SOCMA, is the only U.S.-based trade association solely dedicated to the specialty and fine chemical industry, serving markets ranging from aerospace and electronics to pharmaceuticals and agriculture.

Virtually all chemicals of Chinese origin are listed on Trump's 3. Accordingly, SOCMA is increasingly concerned that the proposed 10 to 25 percent tariffs will have a disproportionately negative effect on U.S. specialty chemical manufacturing.

As it happens, specialty chemical supply chains are heavily integrated into China. SOCMA supports efforts by the administration to resolve long-standing concerns with China. In fact, most of our sectors are driven by innovation and IP.

Nevertheless, when combined with the fact that one-fifth of China's latest retaliatory list of chemicals, these proposed tariffs will place burdens on domestic specialty chemical manufacturers that could prove overwhelming, not to mention leave those that survive at a competitive disadvantage.

The U.S. Chamber recently estimated that if the administration were to extend its farmer aid package to other sectors, chemical manufacturers would need $960 million, putting U.S. chemical manufacturers then as the second most affected sector behind U.S. auto and auto part manufacturers.

Accordingly, we ask that all individual eight-digit categories in HTS Chapters 28, 29, 32 and 38, including 3808, be delisted from Trump's 3.

My goal today is to communicate three particular aspects of specialty chemical manufacturing in hopes that the committee will more fully understand the specialty chemical value chain and take a hard look at listed chemicals and future SOCMA comments which will detail hundreds of individual product lines and whether or not alternative sources exist.

Number one - specialty chemicals, as the name implies, are in fact specially made to meet particular purity quality and performance demands from numerous downstream industries.

Given these rigid quality standards, alternative sources are extremely finite. For most industry sectors, tariffs means shifting sourcing, which results in a rise in the price of imports.

For chemicals, this is not always possible. Dissimilar to other industries, chemical manufacturing requires very costly and specialized infrastructure and expertise.

Regulatory burdens and the need for significant capital investment also contribute to the inability to shift production. The speed or lack thereof by EPA in permitting pollution system approvals for new sources of ingredients makes for a slow process and, in many cases, is a nonstarter.

Also, the highly regulated nature of this industry often requires that changes in raw materials and suppliers receive prior approval from U.S. agencies and other world regulators.

We realize the administration hopes

that protection will encourage domestic producers to diversify, enter new segments and become more competitive.

The reality for chemical production, though, is that regulatory and market factors, which will be elaborated upon in future SOCMA comments, often dictate otherwise.

Number two - U.S. chemical manufacturing is a value added industry in which manufacturers along the value chain must import chemicals they then use to manufacture new chemicals.

To illustrate this point, consider the miscellaneous tariff bill. This bipartisan legislation provides tariff relief to American companies.

Also, since MTB is only applicable to materials that are not manufactured domestically or available in sufficient quantities, passage does not have a negative effect on domestic manufacturing.

As the MTB awaits passage in the

House, chemicals make up over 1,000 of the, roughly, 1,800 petitions recommended by the U.S. ITC for tariff relief.

This fact, the fact that over half of cleared MTB petitions are for chemicals, speaks volumes regarding the degree to which chemical intermediates are simply not domestically available.

Lastly, number three - the combined effect of post-tariffs and Chinese retaliatory tariffs will overwhelm some small and medium-sized U.S. specialty chemical manufacturers.

Exposure here will depend on the segments which companies focus and their ability to respond to changes and trade policy conditions.

Companies with a larger global footprint will be advantaged while smaller companies will have less reserves to draw on when times get tough and less ability to deflect higher materials prices or pass along new costs to customers.

Specialty chemistry brings uniquely manufactured substances to market, often through small batch production.

Specialty chemical manufacturers, thus, face proportionally higher business costs as a segment within the chemical industry and face equivalent or potentially lower net revenues.

Many such firms also concentrate their operations around one or a relatively small number of facilities since the batch manufactured products they create are not afforded the benefits of scale enjoyed by bulk chemical manufacturers.

Imagine a short run which is impossible to develop domestic production to replace key inputs. For specialty chemical companies that cannot afford a 25 percent increase, this is tantamount to a literal cutoff of imports.

While we support the administration's goal to reach zero tariff trade, imposing heavy taxation on Americans made worse by retaliatory tariffs is not the proper method to achieve that aim.

We are thankful for the public comment process and support resolution through constructive and continued dialogue before threatened protectionism creates further uncertainty and leads to countries reducing their dependence on U.S.-made specialty and fine chemicals.

Thank you all sincerely for your time today.

MR. BURCH: Thank you, Mr. Moedritzer.

Our next panel witness is James Newport with Wanhua Group.

Mr. Newport, you have five minutes.

Turn on your microphone.

MR. NEWPORT: Thank you, and good morning.

My name is James Newport. I am the general manager of a planned $1.2 billion chemical manufacturing complex investment in

Louisiana by Wanhua Chemical.

I appreciate the opportunity to testify today.

Globally, the Wanhua Chemical Group employs over 13,000 employees and is the industry's global leader in MDI production.

Wanhua Chemical America has officers in Pennsylvania, Texas and Louisiana. Our proposed new plant will create well over 1,200 direct and indirect jobs.

The facility reflects the primary goal of the administration in terms of bringing offshore manufacturing jobs back to the U.S., thereby erasing the imbalance of trade with China.

Wanhua's MDI imported from China is used in a wide variety of applications. MDI is the main component of spray foam insulation for residential and commercial buildings.

Similarly, MDI is a main feedstock for both board stock and insulated panels, as you just heard from Mr. Justin Koscher of PIMA.

It achieves very high energy efficiency standards, fire safety, simplified construction methods. MDI is also used for refrigeration insulation to meet strict energy requirements and government-mandated Energy Star ratings.

In addition, MDI is used for composite wood panels, which include oriented strand board, particle board, and medium density fiber board, where MDI continues to replace formaldehyde resins at a rapid pace.

Wanhua holds approximately 15 percent of the MDI market in the U.S. Due to a shortage of local MDI, customers in the U.S. rely on imported MDI to meet their growing demand.

Wanhua Imports fills the supply gap and stabilizes an otherwise volatile market. Nonetheless, MDI is included on the proposed version of List 3.

Investing in the plant in Louisiana allows Wanhua to manufacture MDI here in the U.S. MDI demand in the U.S. is growing at a rate four times GDP.

Producing MDI in the U.S. instead of importing from China will also help reduce the U.S. trade imbalance with China.

Aniline is a key feedstock used to make MDI. There is no effective merchant market for aniline in the United States. The U.S. producers of aniline use their aniline for internal consumption and do not sell to the U.S. market.

As a result, Wanhua intends to import aniline from China to manufacture MDI at its new plant in Louisiana.

Nonetheless, aniline, like MDI, is included on the proposed List 3.

Imposing additional duties on MDI and aniline may jeopardize Wanhua's plans to invest in the new facility in Louisiana. Wanhua's expansion plans depend on having enough MDI in the U.S. to justify the potential new plant.

As the costs to acquire MDI from China increase, downstream users will face higher prices and short supply because local capacity cannot meet demand, disproportionately harming small and medium-sized businesses and consumers.

Wanhua is evaluating a number of options regarding its potential investment in the new facility in Louisiana. The increased costs associated with the additional duties on MDI and aniline could make such an investment not economically feasible.

Also, the panel should note our MDI customers may consider relocating their manufacturing facilities to other adjacent countries such as Canada and Mexico that have minimal or no tariffs on MDI or aniline.

For the reasons that I have testified today, Wanhua respectfully requests that subheadings 3909.31.00, 2929.10.80, 3824.99.26 and 2921.41.10 be removed from the list of tariff headings subject to the additional 10 to 25 percent duties.

Doing so will allow Wanhua to continue to pursue the expansion of its operations in the

U.S. and in so doing bring Wanhua's unique technology and IP and many more offshore manufacturing jobs back to the U.S.

That concludes my testimony. I appreciate the opportunity to testify to you today and I look forward to any questions and comments the committee may have.

Thank you.

MR. BURCH: Thank you, Mr. Newport.

Our next panel witness is Lisa Scheller with Silberline.

Ms. Scheller, you have five minutes.

MS. SCHELLER: Good morning. Good morning.

I am Lisa Scheller, chairman and president of Silberline Manufacturing, and I'd like to thank the committee for the opportunity to testify today.

I appreciate what the USTR seeks to accomplish - real change in China's intellectually property and investment practices - and I also understand the need to protect

American jobs.

But in this instance, with respect to imports of non-lamellar aluminum powder - so-called spherical powder - the actions proposed will disadvantage our American family-owned manufacturing business without accomplishing any of the program's goals.

I am here asking the USTR to eliminate spherical powder classified under HTSUS subheading 7603.10.00 from List 3 of the tariff list.

Let me tell you about Silberline. We began 73 years ago in a small shop in Stanford, Connecticut, founded by my grandfather, Ernie Scheller, an Austrian immigrant.

Today, Silberline, a certified woman-owned and operated company, employs more than 600 people. More than 200 of them are here in small-town America, in Pennsylvania and Indiana.

These are family-sustaining union jobs with good pay and benefits. We are a world-leading manufacturer of aluminum pigments for paints and coatings.

Our metallic pigments provide the shine and sparkle you see on your car, appliances, labels, textiles and more. Our customers around the world are household names.

About 40 percent of our U.S. production is exported to more than 35 countries. Much goes to China and the rest of Asia.

Yes, we manufacture in the United States and export to China. Spherical atomized powder is Silberline's most critical raw material and Silberline accounts for a large portion of the small product category.

Here are the five key reasons why this product should be exempted from the tariffs.

One - there is no domestic source of supply. Silberline used to buy powder almost exclusively from Alcoa's now-closed Texas atomizer.

Today, there are zero domestic suppliers producing the quality or quantity we need. Demand is just not high enough to motivate domestic investment in this technology, regardless of tariff.

Two - China was chosen as Silberline's source for spherical powder not because of price but for its quality and technology. When it became apparent that our domestic source of supply was at risk, I personally began a search for the best powder.

I traveled to over - I traveled over five continents and I obtained dozens of samples. These were rigorously tested in our labs and in production and we found that the Chinese powder performed best.

They have their own patented technology and they produce a highly-engineered quality and, yes, a higher, not lower, priced product.

Other foreign suppliers produce powder but they do not meet Silberline's or our customers' requirements.

Three - the tariff would significantly disadvantage Silberline against its competitors.

Silberline is the only entirely American-owned company in this business.

Our foreign-owned competitors are backward integrated in the manufacture of this powder. The tariff would not impact them to the same extent.

Silberline already pays a 5 percent tariff on the metal we buy from China. Any additional tariff would result in significant financial strain on our U.S.-based business, threaten jobs and call into question future investment.

Four - we cannot pass cost increases along to our customers. Large coatings companies that supply the automotive industry are extremely price sensitive.

If Silberline were forced to raise prices as a result of the tariffs, it would put our business with these customers at risk worldwide.

Five - lastly, this tariff will not contribute to the goals of the Section 301 action. While these tariffs would be highly damaging to our American-owned business, they will have no impact on China and they are not a part of China's Made in China 2025 policy.

Our Chinese suppliers are leading producers of a quality product with no shortage of potential customers. They do not depend on our business. They can and they will sell to our foreign competitors.

To conclude, these tariffs will have the perverse effect of harming the American jobs and businesses they are trying to protect without affecting China.

I respectfully request that USTR eliminate spherical aluminum powder from Annex C. Silberline's proud employees can out compete anyone in the world. Please, let us do that.

Thank you.

MR. BURCH: Thank you, Ms. Scheller.

Our next panel witness is Andrew Shoyer with Fomdas.

Mr. Shoyer, you have five minutes.

MR. SHOYER: Thank you.

Good morning, Madam Chair and members of the committee. My name is Andrew Shoyer.

I am a partner in the law firm of Sidley Austin, testifying today on behalf of our client, Zhejiang Fomdas Food Company, Limited. The director and general manager of the company, Mr. Xu Xiaofang, has accompanied me here today.

I appear before you in support of Fomdas' request that HTS subheadings 2008.30.42 and 2008.30.46, which cover satsumas in airtight containers, also known as Mandarin oranges, be excluded from the proposed 25 percent tariff on products imported into the United States from China.

Fomdas is a privately-held company that engages in the export of a variety of products including satsumas in airtight containers.

China is the world's largest producer of satsumas in airtight containers and consumers rely on Chinese imports to fulfill their demand for what has become since the 1970s an indefensible staple in the American diet.

The proposed tariffs would primarily hurt American consumers, particularly those who lack ready access or the means to consume fresh citrus fruit.

Additionally, the Chinese government has not identified the sector as one of strategic importance, so applying higher tariffs would not address any of the practices that USTR has identified in its March 2018 report.

You heard testimony earlier this week from a U.S. marketer urging that these products be excluded from the proposed tariff. I will elaborate today on the key points, from Fomdas' perspective.

First, Chinese satsumas in airtight containers are irreplaceable in the U.S. market. In 2017, the United States imported more than 160,000 tons of satsumas in airtight containers from China with a total product value of between $180 million and $200 million.

That's more than 90 percent - almost all of the satsumas in airtight containers consumed in the United States. The next largest exporter, Spain, would not have the sufficient capacity to redirect product from the European Union to the United States in sufficient quantity.

Moreover, there is no U.S. industry that could generate satsumas in airtight containers to meet the U.S. demand. To ramp up production would require enormous capital costs and many years.

It's far from clear that U.S. producers would follow that path. Our U.S. marketing partners have explained that the profit is in the sale and distribution of fresh fruit, like these clementines, and not fruit in airtight containers.

This is an example of, for the record, Mandarin oranges in airtight containers, which are very typical of what Fomdas sells.

Indeed, that's why you see the growth

in the U.S. market of fresh satsumas and other Mandarin-like oranges and, more importantly, the type of satsumas used in China for the product in airtight containers is different than the product available here or in China for consumption as fresh fruit.

There is, quite simply, no alternative to the Chinese satsumas in airtight containers for the U.S. market.

Second, tariffs will raise costs and will increase the burden on American consumers. If the U.S. government imposes a 25 percent tariff amounting to an increase of about $350 a ton, or $50 million in total, the tariff burden will eventually be borne by U.S. importers and consumers.

According to the economic literature, import demand for fresh citrus fruit and for Mandarin oranges in particular, is highly inelastic.

If the consumer price is driven up by tariffs, demand will not fall in proportion. So assuming the same is true for the imported product in airtight containers, the price hike will serve largely to tax U.S. consumers who are least able to bear the cost.

This is particularly the case with respect to consumption in schools and senior living centers, which constitute significant markets for Chinese satsumas in airtight containers.

Finally, China's exports to the United States are not of strategic significance and therefore the imposition of tariffs will not contribute to the stated goals in the investigation.

China's exports to the United States of satsumas in airtight containers are traditional agricultural processed products.

There are no issues with regard to intellectual property theft or technology transfer, as the processing technology is mature and the standards are advanced. These products, clearly, do not fall within the Made in China

2025 industrial policy program.

For these reasons, we urge the committee to recommend that satsumas in airtight containers be excluded from the proposed list and any further action with respect to this Section 301 investigation.

Thank you.

MR. BURCH: Thank you, Mr. Shoyer.

Our next panel witness is Lu Yu with China Chamber of Commerce of import and export foodstuffs, native produce, and animal byproducts.

Ms. Yu, you have five minutes.

MS. YU: Thank you. Good morning, committee.

Section 301 as U.S. domestic law, through unilateral trade or restriction action that the U.S. government is taking against China by imposing $200 billion tariff violated the WTO principles. It is a violation of the existing world trade order.

The proposed $200 billion tariff list

of Chinese products by the U.S. includes 1,170 agriculture products HTS codes.

It accounts for $6.1 billion export value of agricultural products from China to the U.S. and it covers 80 percent of the total export value of the sector.

By information of related sources, U.S. supermarketers' reasonably low pricing of food products is benefitted from trade with countries including China, which cut down the consumption cost of U.S. domestic market.

It is justifiable to say that Chinese agricultural products have provided U.S. consumers with great convenience in everyday life.

Imposing 10 or even 25 percent tariff on these food and agriculture products will harm the U.S. agriculture products markets while also cause heavy burden to the U.S. consumers.

Moreover, there is no relation between the agriculture products included in the proposed tariff released and the Chinese in the industry program including Made in China 2025.

China Chamber of Commerce for import and export of foodstuffs, native produce and animal byproducts is the biggest trade association in China.

So we have more than 7,000 company members.  Our members' import and export value of agriculture and food products account for 70 percent after all.  So on behalf of China food and agriculture industry, we suggest that on the import list of 1,170 agriculture products, HTS codes be removed.

China's economic development in the past 40 years is achieved under the condition of the opening up policy.  Since China acceded to the World Trade Organization in 2001, it has made continued effort to substantively reduce import tariffs.

By 2010, China had fulfilled all these tariff reduction commitments, reducing the average tariff level from 50.3 percent in 2001 to 9.8 percent.

It lowered average tariff rate of agriculture products from 23.2 to 15.2 percent, about one fourth of the global average.

China-U.S. agriculture products trade has been developing very fast under the open economic environment.

From 1998 to 2017, China-U.S. agriculture trade value increased from $2.7 billion to $31.7 billion, increased by nearly 17 fold with a compound annual growth rate of 13.8 percent.

Specifically, China's agriculture products import value from the U.S. increased from $1.8 billion to $24.1 billion, import with a compound annual growth rate of 14.5 percent. The import value compound annual growth rate is 2.4 percent higher than export value.

Currently, China is the largest agriculture products export market of the U.S. The stable development of China-U.S. agriculture trade has benefitted the farmers and the consumers of both nations.

As we know, new era is a sharing era. So we hope that for a shared future, China-U.S. agriculture trade will maintain a stable, healthy, and sustainable development.

Thank you for your attention.

MR. BURCH: Thank you, Ms. Yu.

And, Madam Chairman, this concludes this panel's testimonies.

(Pause.

CHAIR GRIMBALL: We will need about one minute. Then we will begin with questions.

(Pause.)

CHAIR GRIMBALL: Thank you. We are ready to begin.

MR. BLAHA: Thank you. I have a few questions for Mr. DeHaan from the National Fisheries Institute.

So I think you referenced in your testimony the linkages of processing the fish caught by U.S. fishermen in China.

So I guess, first of all, how important is the actual Chinese processing of these fish? Can these be processed anywhere else?

To what extent are they processed anywhere else? Why is China a critical link in that supply chain? Let me start with that.

MR. DEHAAN: Thank you.

China has developed into a seafood processing hub for multiple harvesting countries, not just ours, and there are a number of reasons for that.

Number one, the geographic proximity to both Alaska and Russia, which are competitors in this world, makes China an important convenient place to go.

Number two, this is the largest consuming seafood marketplace in the world. So if you're already selling to a Chinese customer and that customer is processing in China, it's a very natural thing to then say well, let's do business in addition to that and have you process seafood that comes in and is bound for either the U.S. or Europe or some other third country.

There is, in addition to all of that, a series of challenges in the United States to get the available labor force into Alaska that would do the processing work.

Primary processing, I should say, of our product in the white fish area is done in Alaska, typically - white fish and salmon.

But then it needs to be secondarily processed typically for a customer and that is done in China typically because China is nearby. China has access to a workforce that is developed in this area as opposed to other export destinations such as Japan.

They can do it for a cost that the market will bear and, like I said, there are available export opportunities from China to Europe, Japan, the United States, what have you.

So that's the reason why the infrastructure has developed there.

MR. BLAHA: Okay. Thank you.

And I think you referenced the importance of imports overall for diversity of

U.S. consumption and various things. How important is China specifically to imports there versus other markets, either in Asia or other places?

MR. DEHAAN: Well, China is significant - is very important. It's one of a number of very significant countries that our industry sources from and, again, because China is growing or processing or catching fish at a huge level to meet its own domestic demand, which is growing, it is natural then for companies to say, you have infrastructure - you have capability - you have workers - you have facilities that meet our needs, and so we want to have the business there with you.

MR. BLAHA: Okay. And you mentioned, I think, also that supply chain adjustments, particularly for some of the smaller, I guess, businesses within the industry would be very difficult to change or adjust over the long term.

Could you perhaps just elaborate on why that is? I think you referenced it - a small catcher will sell it to, I guess, processing companies that sell it to someone else and they move it around from distributors.

Just why would the adjustments fall down onto the small and medium-sized companies to the extent that you referenced?

MR. DEHAAN: In the United States? You're talking about SMEs in the United States, right?

MR. BLAHA: Right. I think -

MR. DEHAAN: Right.

MR. BLAHA: - my understanding was that you referenced that essentially they would have little flexibility in terms of adjusting if these tariffs went into effect.

Given that sounded like they were working through a couple of distribution companies or what not, to what - why is that - expand on why that's true.

MR. DEHAAN: Right. So the first point is, is if you've got a small seafood business with several dozen people, as actually some of the other panelists here on behalf of their business, you're not going to have the ability to tap into another country to find a supply partner that is reliable and competent, especially on the administration's likely time line with these tariffs. That's number one.

Number two, you have to consider the biology of the animal. So you have a grow-out period or a life cycle in whatever species you're in business in.

That turnaround could be 12 to 15 months for one harvest of an aquaculture species. You might have a wild capture product that you're bringing in that is restricted to a certain very narrow window of fishing for sustainability reasons - two weeks, say, a month is very common.

And so you only have one shot at those things in your business. So on the near term, it's virtually impossible for small businesses to reach into another country if they are doing business with China and go to another country.

Over the longer term, there is a

series of challenges which make it very complicated to do. U.S. government approvals are significant and time consuming - FDA HACCP plan, the seafood import monitoring program, which is a new program from the department.

You have a series of third-party certifications which are not governmental - they are NGOs. But they are realities in the business.

So you're going to need to go find a partner that can pass a food safety, a sustainability, a social responsibility audit. Those things cannot be done at the drop of the hat. It will take years to do those things.

MR. BLAHA: Okay. Thank you.

And does the burden of those certifications fall on the SMEs? I guess part of - I guess the thrust of my question is do SMEs who sell to a larger distributor and that larger distributor maybe isn't an SME and has greater flexibility to search and where do the burdens, I guess, of these things fall?

MR. DEHAAN: The burdens will - it is true the burdens will vary. But in many cases, the importer of record or the distributor is a small business that is going to be responsible for meeting the customers' needs and the customers' needs might, for instance, include finding an export partner that is competent to pass an audit for food safety and sustainability purposes.

That will require a very high-end certification - certifier who goes out and conducts an audit to a recognized standard and that cannot be done, as I said, on a short term.

MR. BLAHA: Okay. Thank you.

I think my last question - if I - initially I think you referenced the tariffs that were being imposed on U.S. exports to China in some of these fish products.

I guess what's your expectation that that tariff would be removed if the fish products were not on the 301 Annex C list?

Would the products being on or off the

Annex list here - the U.S. list - change the Chinese response?

MR. DEHAAN: Oh, you're asking me whether there would be a bilateral seafood-only detente in this process?

MR. BLAHA: Well, I guess you referenced that, as I understood, the retaliation in response to various U.S. tariff actions had harmed U.S. seafood exporters by pricing them or making it more difficult to sell into the Chinese market.

I am wondering if - what action is recommended or taken by the president in this case would adjust that specific argument that you raised?

MR. DEHAAN: Well, what I - I don't - the short answer is I don't know. What I can say is that judging by the publicly available behavior of Beijing, every time the administration hits, Beijing hits with the exact same size of a bucket of goods with the exact same tariff, typically, and on the same time line.

So it would be helpful, to say the least, for our product to be excluded and we could - we could potentially - certainly, you could but we could also make the argument to our Chinese commercial partners that they should speak to their government about standing down there as well.

MR. BLAHA: Okay. Thank you.

MS. GILLESPIE: My questions are for both Mr. Newport and Mr. Koscher. Both of you testified that there are domestic and non-Chinese sources of MDI.

Mr. Newport, do you think that Wanhua would be able to increase production of MDI to meet the shortfall of Chinese sources and do you think other suppliers could increase their supply of aniline to meet that decrease?

MR. NEWPORT: Yes. I am not sure I understand the question regarding the Chinese market. Did you imply Chinese?

MS. GILLESPIE: Yeah. So would your

company be able to meet the shortfall that's currently being supplied by China if the tariffs were to go into place?

MR. NEWPORT: Yes. Absolutely.

MS. GILLESPIE: Okay.

And Mr. Koscher, would you be able to find domestic or non-Chinese sources to meet your supply of MDI?

MR. KOSCHER: I think just three points, to answer that question.

One, I think it's accepted that MDI and pMDI is a global market. So shortages across the globe, whether it be in Europe, in Asia, have impacted U.S. manufacturers, you know, primarily through perhaps allocations on contracts, which prevent our manufacturers from producing board stock at a level that the market demands.

Number two, as Mr. Newport referenced, there are a number of growing applications of MDI and pMDI in the wood industry.

That industry is rapidly growing. Our industry is growing 5 to 10 percent year over year, and projecting that growth out, that growth exceeds the planned capacity for domestic manufacturing of MDI and pMDI, even including the Wanhua planned facility in Louisiana.

So I would say and, thirdly, it's well accepted that the U.S. is currently in that import market. We have domestic shortage of manufacturing capacity and that is currently met by imports from China.

MS. GILLESPIE: All right. Thank you.

MR. O'BYRNE: Mr. Logue, you mentioned that the United States no longer manufactures the fluoride and fluorine salt products you listed.

In your view, why are these products no longer made here in the United States and what are the potential difficulties in restarting production?

Thank you.

MR. LOGUE: Thank you. The last manufacturing of these products was in 2004 and it was a plant in Delaware. It was a 90-year-old chemical plant, which was shut down, and basically we were brought in to source these products for this company and we sourced them either in Asia or in - some of them in Europe.

You know, we also actually manufacture one or two of them here as well, and the difficulties of these kinds of chemicals is they are high-performance high-end, not commodity at all and it takes quite a few years to get the regulatory permissions and permitting involved in manufacturing these products in the United States.

It takes a low-cost feed stream of calcium fluoride, which the Chinese control. So you can do, you know, several different things to manufacture those products over here.

But it's quite a capital-intensive manufacturing process. Part of the things that we do in China is to make sure that our Chinese partners are environmentally, safety and stewardshiply correct.

So, you know, and the Chinese have come a long way in the last 20 years up that chain and prices have increased significantly, especially in the last two years in China with Xi Jinping's crackdown on the environment.

So to - in conclusion, it's quite a costly capital-intensive production and it would take a lot of support from the administration or future administrations to accomplish those facts.

Thank you.

MR. BLAHA: I apologize, I just had a follow-up question for Mr. Newport, actually. I think in your testimony you had referenced that Wanhua's investment in Louisiana could be at risk or undergoing some review if these tariffs went into effect. Could you just expand on why that might be uncompetitive in light of a tariff on the imported product?

MR. NEWPORT: Yes. First of all, I would say that the rising cost of NDI associated with the increase in duties, or the duties that we're speaking of, we're concerned about the market growth rate, such that the market needs -- the market is growing very rapidly, 10 to 12 percent, in some cases higher than that. And so, the robust market, as it grows, it needs additional capacity to come in and continue to supply product, so it can continue to grow.

Wanhua sees our investment as a key. We need the market to continue to grow to make the project economically viable. The project is expected and estimated to come online in 2021. We believe that the market will be undersupplied significantly in 2021 at the current growth rates. If the growth rate were to slow down, the market were to not continue to grow because of constrained supply due to cost and economics, that could affect the viability of our plant.

That being said, at the current market and the growth rates, for the market to continue to grow, we need two world-scale plants to announce new capacity in the U.S. to continue to supply that growth. Wanhua is one of those, and there has been one of the other suppliers that have announced as well.

So, we see ourselves as a key to this

market continuing to be viable. We see our economics and our project is exactly what the current Administration is encouraging. We're coming to the U.S. We're going to build our plant here. We're going to hire and have an impact over 1200 jobs. And so, we really see that what we're doing in our company is exactly what the Administration is encouraging happen.

So, I trust that answered your question.

MR. BLAHA: I think so. Thank you. Just to make sure I understand, the concern is that increased prices in imports from China could potentially depress --

MR. NEWPORT: Right.

MR. BLAHA: -- I guess, the market growth overall in the United States, which would --

MR. NEWPORT: Depress and the ability to undersupply due to cost of the product.

MR. BLAHA: All right. Thank you.

MR. FLEMING: Mr. Moedritzer, you

mentioned in your testimony that a lot of these specialty chemicals go into high-tech products, including aerospace, electronics, pharmaceuticals, things of that nature. I'm just curious, are any of the tariff lines that you mentioned that cover these chemicals, are they targeted by Chinese industrial policies, including Made in China 2025?

MR. MOEDRITZER: Sorry, so you're talking about chemicals coming from China to the U.S.?

MR. FLEMING: Well, chemicals used in products that could be the object of Chinese industrial policy, both coming to the U.S. and going to China.

MR. MOEDRITZER: Yes. I guess I have one anecdote that is somewhat topical. So, one of our members makes an electronic chemical that goes into the iPhone. China, just in general, is a value-added country, you know. I think, of all the stuff that we get from China, a little less than half of that actually comes from other countries than China.

Basically, when we send a chemical over to China, and then, China processes it and, say, puts it into the iPhone when it sends it back, even though only something like $6 worth of those components are actually Chinese components, that entire $170 of the iPhone registers as a Chinese product.

So, I suppose the answer to your question is there's a lot of variance, depending on the sector, but we're increasingly concerned that just the impact to direct, and really just the indirect costs that we don't even know at this point, are going to be disproportionately burdensome.

So, I hope I answered your question somewhat there.

MR. RIGBY: Ms. Scheller, you testified that other countries produce atomized aluminum powder and you've traveled worldwide to go and test it, and found that it was produced at a lower quality. If the tariff action going into effect, do you anticipate that suppliers from these sources could or would increase the quality of their products to meet the presumed increased demand in the U.S. market?

MS. SCHELLER: So, spherical atomized powder, it is a highly-engineered product. I believe that the other sources, these other producers who Silberline does have relationships with -- we do buy from some of them -- have used their best technology to date and continue to try and improve on their technology. However, the Chinese suppliers that we have been working with, they have a better-quality product. They have their own original IP. They have patented technology that really has increased the overall consistency, replicability of the product, made it easier for Silberline to use. And, in fact, it is a premium product, even a premium-priced product.

I will be including more details with respect to this in my written submission.

MR. CONCEICAO: All right. Mr.

Shoyer, in your testimony you said that 95 percent of the satsumas in airtight containers consumed in the U.S. come from China. Now excuse my ignorance, because I have a very unhealthy diet. But are there other types of oranges sold in airtight containers or cans in the United States, to your knowledge?

MR. SHOYER: Let me just consult with my client for a moment. I know we're on the clock yet. If I can't answer it quickly, then we'll definitely respond to that.

MR. CONCEICAO: Okay, and I'll give you a follow-up if the answer is yes.

MR. SHOYER: Okay.

MR. CONCEICAO: If so, do you know what percentage the satsumas in airtight containers consumed in the U.S. represents of the total U.S. canned orange market, so to speak?

CHAIR GRIMBALL: While you consult with your client, we will move on to Ms. Yu.

MR. WINELAND: Thank you, Ms. Yu, for your testimony.

Just one question. You, in addition to talking about the potential U.S. tariffs on Chinese agricultural goods, you mentioned that China, its average tariff on foreign agricultural products is about 15 percent, including the U.S. products. Could you talk a little bit about the impact of that tariff on the Chinese consumer?

MS. YU: Yes. So, import, yes? But it's the average tariff duties. Just like soybeans, if we import soybeans, the tariff is only 3 percent. So, the average one is 15.23, but the comparative China's supermarket, the price of the imported food, and, also, the U.S. supermarket, it's a little bit higher, but it's not too higher, yes.

MR. WINELAND: And in general, do you think that the Chinese consumer would benefit from seeing lower tariffs on those products?

MS. YU: Yes, of course. Of course. So, because the price -- it's just like, for example, for me, for here in the morning, I'm the -- how to say it? -- it's working in the office.

So, I don't care about the price. But, when I go back home to the supermarket, I'm concerned price, which is cheaper and high-quality. So, it's the same thing, I think. It's the same thing just like the consumers, like American consumers, they're concerned with something like that. And the high quality and the low price, it's better for us to choose.

MR. WINELAND: Uh-hum. Thank you.

CHAIR GRIMBALL: Mr. Shoyer, were you able to consult with your client?

MR. SHOYER: Thanks, Madam Chair. Yes.

We're not aware of any other oranges that are canned that are in the market, but, again, we'll investigate further. And if there's additional information, we'll put that in the submission.

MR. CONCEICAO: Terrific. While you're at it, actually, I have one thing. My apologies. While you're doing that, for your submission as well, once you have a sense of what the total market share of satsumas versus other canned oranges is, if you could give an estimate, in your opinion, what you think, should the duties take effect, what the potential increase on canned or oranges in airtight containers would be in the U.S. market?

MR. SHOYER: I'm sorry, could you repeat that question?

MR. CONCEICAO: Yes. If the duties were to take effect, what do you estimate the increased cost to the consumer of canned oranges, again, taking into account the total market share of satsumas versus other oranges, and what have you?

MR. SHOYER: Thank you. Yes, so just on that again, we have the estimate from USDA on the price elasticity with respect to citrus generally. So, we'll estimate based on that.

MR. BLAHA: I guess just a follow-up on that, if I could also, Mr. Shoyer. And since you mentioned the elasticity, I was kind of curious whether or not you have any insight as to whether the USDA's estimate on that was driven by the freshness of the fruit or the fact that it was just that satsuma orange. I think in your testimony you kind of made the assumption, we looked at fresh fruit here, and it has a certain estimated measure, and if we were to translate that to the canned or airtight container ones, I was just curious, is there a difference in the demand response for fresh versus non-fresh fruit?

And then, kind of related to that, I think you mentioned that most satsuma oranges in the United States come from China, but I was wondering, what size is the U.S. market to Chinese exporters? Does China export to places other than the United States in large quantities or is it really kind of just a bilateral we buy it, they produce it kind of thing?

Thank you.

MR. SHOYER: Thank you. Definitely we'll respond to the second question in our written comments.

On the first, the two USDA economists

that had done the calculations did the calculation only with respect to fresh citrus, but they did do a specific calculation on satsuma, but they were fresh satsumas. And again, as I indicated, it would really be making an assumption about whether that translated to the product in airtight containers. But as far as were aware, there weren't calculations with respect to the canned or product in airtight containers. The studies were only with respect to the fresh fruit.

MR. BLAHA: Okay. Thank you.

MR. BURCH: Madam Chairman, we release this panel with our thanks.

And would Panel 19 witnesses make their way to the front and be seated?

CHAIR GRIMBALL: So, we are running about 15 minutes behind. So, if the next panel could be assemble quickly? Thank you.

MR. BURCH: Will the room please come to order?

Madam Chairman, our first witness on

this panel is Rishi Bhutada with Star Pipe Products, Limited.

Mr. Bhutada, you have five minutes.

MR. BHUTADA:  Thank you for the opportunity to address you to voice our opposition to the imposition --

MR. BURCH:  Can you push your mic up a little bit?

MR. BHUTADA:  Okay.  Thank you for the opportunity to address you to voice our opposition to the imposition of 25 percent duties on ductile iron fittings and flanges and joint restraints from China.

I am Rishi Bhutada, Vice President of Finance with Star Pipe Products, from Houston, Texas.

Star Pipe is a domestic producer, importer, and distributor of ductile iron fittings that conform to American Waterworks Association standards and joint restraints that are used in conjunction with these fittings, to lay out the water and sewer distribution lines that are the backbone of our country's water and wastewater infrastructure.

We recently purchased, and now operate, SP Foundry in South Coffreyville, Oklahoma, which employs 192 people. Currently, SP Foundry is undergoing a $50 million expansion project scheduled to be completed in 2019-2020. We project the creation of 189 new jobs once we are complete. In addition, Star Pipe Products' Corporate Office and 12 distribution centers throughout the U.S. employ 228 people nationwide. Star Pipe purchases from six other domestic foundries owned by other entrepreneurs that employ hundreds more.

Star Pipe owns and has significant investment of over $30 million in a manufacturing facility in China that manufactures a major part of its fitting, flanges, and joint restraints, and other products used in water infrastructure. These products are essential in laying out residential and municipal water and sewer lines, as well as the maintenance of existing lines by state and municipal governments. These are products are an integral part of supplying water to every household in the country. Thus, the ready availability of these products is strategically important for the entire waterworks industry.

A major part of these fittings and joint restraints are imported from China currently. The domestic foundries, including Star Pipe's own domestic foundry, along with the imports from other countries outside of China, cannot satisfy the total demand of these products in the United States.

The cost of production of domestically-produced fittings and joint restraints and their associated selling price in the U.S. is significantly higher than any imported product, more than double in magnitude. The U.S. Government has supported the purchases of these products through the American Iron and Steel, or AIS, provisions of the Clean Water Act and the Water Infrastructure Finance and

Innovation Act, as well as AIS appropriation provisions for the EPA's Drinking Water State Revolving Fund and the USDA's Rural Utility Service's water and environmental programs, all of which have come into effect in the past three years or less.

Total spending this year on water and wastewater infrastructure subject to AIS provisions is about $10 to $11 billion. These programs better support the domestic manufacturing of iron and steel products for the waterworks industry and the imposition of tariffs that will have an excessive economic burden on consumers and cash-strapped municipalities.

It is possible to develop production of these products in other countries. However, that requires large capital investments and a lead time of four to five years to service the U.S. market satisfactorily.

In addition, there are a number of reasons these products should not be included in any final action. These products do not relate to the acts, policies, and practices covered in the USTR investigation and report of March 22nd, 2018. These products do not relate to advanced technologies, advanced design, or manufacturing technology. These products are not part of the priority industries or related to Made in China 2025, or other Chinese industrial programs.

In the production of these items, there is no technology transfer. The technology to manufacture these products has not changed fundamentally in the last several years.

These products have a relatively low profitability, which will be further reduced by the increased tariffs. Subjecting these products to an additional 25 percent duty will cause a severe economic burden on Star Pipe, its employees, and its customers. It has the potential to affect our ability to maintain to our current employment levels in our U.S. operations and, also, our capacity to continue to invest in our foundry in Oklahoma, which would impair our efforts to create new jobs.

And while we understand and appreciate the government's intent to protect U.S. industries from truly unfair trade practices, this action is using a sledgehammer where a scalpel is needed.

Finally, America's water and wastewater infrastructure are in a failing state and are in major need of renewal and investment. The American Society of Civil Engineers in 2017 rated our country's water infrastructure a "D" and our wastewater infrastructure a "D+". The urgent needs of our water and wastewater infrastructure are only highlighted by the high-profile failures in Flint, Michigan. The arbitrary restriction of sources supplied via the imposition of Section 301 tariffs when the United States has a diminished capacity to produce these products only obstructs this renewal. It is in our national interest to exclude them from the proposed tariffs.

Thank you.

MR. BURCH: Thank you, Mr. Bhutada.

Our next panel witness is Robert Braden of Skyline Steel.

Mr. Braden, you have five minutes.

MR. BRADEN: Good morning. My name is Rob Braden, Vice President of Sales and Marketing at Skyline Steel, a wholly-owned subsidiary of Nucor Corporation.

Thank you for the opportunity to appear before the Committee today to express Skyline's support for the President's continued strong action against China's trade violations and to request that you add steel sheet piling to the list of products to be subject to additional Section 301 duties. The relevant HTS numbers were included in my request to testify. We would also like to request that the USTR add steel hollow bar to the list of products, and we will provide the relevant HTS numbers for that product in our post-hearing comments. Skyline also supports USTR's proposal to raise the level of the additional duty from 10 percent to 25 percent.

Skyline Steel has production facilities in Arkansas, Illinois, Mississippi, Ohio, Pennsylvania, and Washington. We have storage, coating, and steel fabrication locations for on-time delivery in 35 states throughout the nation, as well as a broad engineering, business development, and sales team supporting the needs of our customers.

Our business is focused on supplying engineered steel solutions for the foundations of construction projects. Our markets range from bridge-building to port construction, from excavation support to environmental remediation, from foundation of large structures such as high-rise buildings, stadiums, and hospitals to storm protection solutions.

Our 1375 teammates produce sheet piling, hollow bar, threaded bar, strand anchors, and welded structural pipe in diameters ranging from 10 inches to 15 feet. In addition to other steel foundation products in the United States, unfairly-traded Chinese imports have had significant harmful effects on Skyline's profitability, employment, and ability to innovate and invest. Whether it is for contamination remediation sites in Detroit, underground parking garages in Seattle, port projections in Louisiana, a storm surge project in Savannah, or general contracting in New York City, Chinese sheet piles and hollow bar have been sold below cost into the U.S. market and have taken sales from U.S. manufacturers.

Even with the Section 232 tariffs, Chinese imports have continued to undercut U.S. producers, leading to fewer projects for Skyline and the rest of the U.S. steel industry. These sales lost to unfair Chinese imports have had significant negative impact on Skyline's investments, including recent investments we made together with Nucor to improve our sheet piling production facilities.

As USTR found in its Section 301 report, imports from China have been fueled by Chinese Government policies, subsidies, and unfair trade practices. Skyline is pleased that the U.S. Government will impose an additional duty on certain Chinese-origin products to help address these unfair and illegal practices. We urge USTR to include sheet piling and hollow bar on the list of Chinese products subject to the duty. These products fall squarely within USTR's criteria.

First, as the U.S. Government is well aware, steel production benefits from the Chinese Government's distortive industrial policies, including steel industry's specific five-year plan and Made in China 2025. In addition, tariffs on these products are not likely to disrupt the U.S. economy because there are multiple U.S. producers and alternative non-Chinese import sources for these products.

Imports of sheet piling from China totaled approximately $22 million in 2017, nearly double import levels two years earlier. Imports of steel hollow bar from China are large and increasing as well. While it might be a small portion of our total trade with China, the impact on U.S. manufacturers and workers is huge. American workers, including our Skyline Steel teammates, cannot continue to lose high-paying jobs because of China's industrial plans, technology transfer policies, cyber theft, and illegal government subsidies.

Skyline can compete with any steel producer in the world, but we need a level playing field to do so. To that end, we respectfully request the USTR add steel sheet piling and hollow bar to the list of products to be subject to additional Section 301 duty and to promptly impose that duty at a rate of 25 percent.

Thank you for taking these important steps to address China's unfair practices.

MR. BURCH: Thank you, Mr. Braden.

Our next panel witness is Marvin Brashem with M. Brashem, Incorporated.

MR. BRASHEM: Good morning.

MR. BURCH: Mr. Brashem, you have five

minutes.

MR. BRASHEM: Good morning. I am Marvin Brashem, President of M. Brashem, Inc., or MBI. We are a leading U.S. stock and supplier/distributor of graphite electrodes and specialty graphite products. We are privately-owned. We were established in 1983 with headquarters in Bellevue, Washington. We maintain offices in Ohio and Beijing; a manufacturing plant in Indiana, and sales offices and warehouses across the U.S. and Canada. Our companies employ 35 people in the U.S.

We seek the removal of graphite electrodes and non-electrode specialty graphite products from the proposed list of items to be subject to Section 301 tariffs. Imposing the additional duties on graphite electrodes and specialty graphite products will not result in the elimination of any Chinese practices with respect to technology transfer, intellectual property, or innovation. Rather, it would result in disproportionate economic harm to the U.S.

steel industry, aluminum and metallurgical industries, downstream manufacturers who incorporate metal inputs into their final products, and ultimately, U.S. consumers.

Graphite electrodes and specialty graphite products are not industries targeted under the Government of China's Made in China 2025 Initiative. The manufacture of these products is based upon well-established technologies.

In over 20 years of personal experience with my wholly-owned subsidiary in China, neither the Chinese Government nor any of the Chinese companies with which we do business have ever forced us to share its technology, form joint ventures, or otherwise limit competition.

As polluting carbon-based industries, the manufacture of graphite electrodes and graphite specialty products are not subject to any Chinese Government largesse. They are, in fact, actively disfavored. In an effort to combat industrial air pollution, the factories are subject to burdensome environmental regulation. In addition, graphic electrodes are subject to financial disincentives. The entire 17 percent value-added tax rebate that is normally refunded to exporters by the Chinese Government has been entirely eliminated for these products.

The second point I would like to make is the imposition of 10 percent or 25 percent tariffs on graphite electrodes and specialty graphite products would only result in adverse economic harm to U.S. interests. U.S. producers of iron and steel, aluminum, and metal products, and all U.S. downstream industries, would all be directly and adversely impacted by increased tariffs on these products. Raising the cost of inputs will ultimately result in increased cost to U.S. consumers. This result is contrary to the intent of the Section 301 investigation.

Both graphite electrodes and specialty graphite products are now in short supply in the U.S. The primary application of graphite electrodes is to power electric arc furnaces. Due to the economic recovery in steel and the growing reliance upon electric arc furnaces in steelmaking, demand for graphite electrodes has increased sharply. Between 2015 and 2017, there was a 14 percent increase in U.S. steel produced using electric arc furnaces. Yet, during this period of strong demand, the supply of U.S.-produced graphite electrodes has dramatically declined.

Between 2015 and 2017, roughly 40,000 tons of electric capacity was taken out of U.S. production with the permanent closure of Superior Graphite's plant in Russellville, Arkansas, and Graftech's idling of their St. Marys, Pennsylvania facility. Graphite electrode plants in Brazil and South Africa have also been shuttered. Other producers have shifted some of their electrodes capacity to the growing production of graphite anodes for lithium ion batteries, and globally, 20 percent of graphite electrode production has disappeared.

MBI previously sourced domestic graphite electrodes, but is no longer able to do so. Certain graphite electrode products are no longer manufactured in the U.S., and reliance on Chinese imports is necessary. For example, there is no U.S. production whatsoever of small-diameter electrodes in the 8-to-10-inch size, nor regular or high-power strength graphite electrodes. These products are used by companies of smaller-size furnaces for foundries and ladle operations for steel mills. They must now purchase Chinese product to meet the requirements.

The supply squeeze for these products is expected to continue into the foreseeable future. Needle coke, a key raw material input for electrodes, and specialty graphite is increasingly in short supply, as needle coke is being diverted to the fast-growing lithium ion battery industry. Prices for graphite electrodes have, thus, increased fivefold since early 2017, and prices for specialty graphite have also doubled.

There are limited sources of graphite supply. At this time, only China has sufficient production to serve as a reliable source to bridge a shortfall in U.S. and global supply. Imposition of the additional 10 percent or 25 percent tariff on Chinese graphite products will only serve to burden the iron and steel, aluminum, and other primary metal industries, the very same industries that the U.S. Government has sought to protect on national security grounds for the imposition of Section 232 tariffs imposed on imported steel and aluminum.

Thank you for the opportunity to participate in the Section 301 process. I would be happy to respond to any questions you may have.

MR. BURCH: Thank you, Mr. Brashem.

Our next panel witness is William Marvel, Jr., with PRCO America, Incorporated.

Mr. Marvel, Jr., you have five minutes.

MR. MARVEL: Good morning, Committee. My name is William Marvel, Jr., and I am the Sales Manager for PRCO America.

As a refractory supplier to the steel industry in the U.S., PRCO America is opposed to any potential tariffs for products and raw materials being imported from China. We are an importer of refractory materials from China.

China is rich in refractory raw materials such as magnesite, graphite, and bauxite. China is one of the few countries in the world that has access to these minerals. The United States does not.

The magnesite reserves in China are about 3,000 million tons, which accounts for one-third of the total explored reserves in the world. The explored reserves of graphite are approximately 1400 million tons. After process of their products, magnesite clinker and flake graphite are all important raw materials for quality refractory products. The market share in the world is, respectively, 60 percent for bauxite, 30 percent for magnesite, and 80 percent for flake graphite.

The development and production of refractory products in the United States is dependent on refractory material from China. According to the U.S. Geological Survey, China's annual graphite exports in terms of tonnage accounted for 80 percent of total world graphite exports. The United States is dependent on imports of natural flake graphite, which 48 percent come from China.

Our position is that tariffs for these products is constantly passed onto the steel industry as well as other refractory-consuming industries. In turn, if their costs are increased, then they will not be competitive in the global market.

One of the requests I want to make from the Committee is, with the HTS codes that we have listed that affect my company, you have two different categories of product. You have finished goods and, then, you have raw materials.

I would ask that the Committee at least reconsider the raw materials that would affect all companies in the U.S., not use one single company importing finished goods. But, if there's a tariff put on all raw materials imported from China, then that would affect all U.S. manufacturers. So, that's one thing I would ask for you to reconsider.

And thank you for your time.

MR. BURCH: Thank you, Mr. Marvel, Jr.

Our next panel witness is Billy Milligan with Commercial Metals Company.

Mr. Milligan, you have five minutes.

MR. MILLIGAN: Good morning. My name is Billy Milligan. I'm Director of Marketing with Commercial Metals Company.

I appreciate the opportunity to appear before you here today to express our support for the duties on certain Chinese-origin products being proposed under Section 301. We support the addition of steel fence posts under HTS Code 73269086 to that list of products. CMC is also in favor of USTR's proposal to raise the level of duty from 10 percent to 25 percent, as a 10 percent level is not sufficient to level the playing field with imports of subsidized Chinese product.

While I testified before you in May, I thought it would be helpful to provide some additional background on our company today. We pioneered the micromill technology, which enables us to produce steel products like fence posts very efficiently and at a globally-competitive price.

As the largest producer of posts in the U.S., CMC currently operates three facilities in South Carolina, Texas, and Utah. We have a fourth facility under construction, and after three years in development and significant capital and research and development investments, this facility is set to begin operation this month. It will use cutting-edge manufacturing technology that will increase our global competitiveness and will be the only plant of its type in the U.S.

The American steel industry is as modern and competitive as any in the world. However, as I testified in May, unfair steel imports from China have long caused serious damage to our industry. While we can compete with any fairly-traded imports, we simply cannot compete with the large volumes of government-subsidized imports from China.

As USTR detailed in its Section 301 report, imports from China have been fueled by policies and unfair trade practices by the Chinese Government. While the raw material that's used for fence posts, the T-stock, is covered under the 232 steel tariffs, the finished product is not. So, therefore, China circumvents those tariffs by importing fabricated finished and painted steel fence posts.

According to the official statistics maintained by the ITC, imports from China under the HTS codes that include fence posts accounted for nearly $1.4 billion last year. These imports have had a devastating effect on U.S. manufacturers and their workers. In fact, CMC estimates that Chinese-origin fencepost imports have increased 82 percent since 2009, and now command over 20 percent of the U.S. market.

When determining which products to include in the additional Section 301 duty list, the USTR looked at a number of factors. Do they benefit from Chinese industrial policies and are they included in the Made in China 2025? For many decades, the Chinese steel industry has benefitted from policies of the Chinese Government, including multiple five-year plans specific to the steel industry and, also, in the Made in China 2025, which addresses its steel sector in the technological roadmap for Made in China 2025 priority sectors.

Thus, steel fence posts, like all other fabricated steel products, should be retained on the Section 301 list. Additional duty on these products is not likely to cause disruption in the U.S. market, as there are multiple U.S. sources and alternative non-Chinese import sources for these products from other trading partners, including Mexico, Canada, Germany, Japan, Taiwan, Korea, and Malaysia. CMS is also not aware of any other legal or administrative constraints affecting this tariff line.

Therefore, we request that USTR continue to include steel fence posts on the list of Chinese products subject to the additional 301 Section duty. We also request that USTR increase the tariff from the 10 percent to 25 percent, consistent with your recent proposal. This higher tariff rate will better help to level the playing field between U.S.-produced product and Chinese subsidized product, which is being imported at extremely low and unfair pricing today.

These unfair priced imports have a significant effect on the country's industries and CMC's profitability, employment, and ability to invest. In response to the flood of imports over the past several years, CMC has been forced to close 30 locations throughout the U.S. since 2008 and reduce our workforce by 4,000. We cannot continue to allow Chinese industrial plans, technology transfer policies, and cyber-enabled theft, and illegal government subsidies cause further injury to U.S. manufacturers.

CMC thanks USTR for taking the steps to address these unfair trade-related practices, and we respectively request that USTR continue to include fence posts classified under the HTS Code 73269086 on the list of products to be subject to the additional Section 301 duty and to promptly impose a rate of 25 percent.

Thank you on behalf of CMC and our more than 7,000 workforce.

MR. BURCH: Thank you, Mr. Milligan.

Our next panel witness is Adam Parr with Gerdau Long Steel North America.

Mr. Parr, you have five minutes.

MR. PARR: Thank you.

Good afternoon. My name is Adam Parr,

and I'm the Director of Communications and Public Affairs for Gerdau Long Steel North America.

Thank you for the opportunity to appear before you today to express Gerdau's support for the Administration's strong actions on China, including the duties on certain Chinese-origin products being imposed under Section 301.

In particular, we support the continued inclusion on that list of steel grinding balls under HTS Nos. 73259100 and 73261100. Also, we request that USTR add to that list steel sheet piling under HTS No. 73011000. Gerdau also supports the USTR's proposal to raise the level of the duty from 10 percent to 25 percent.

Gerdau is the leading producer of long steel and steel grinding balls in the Americas. We operate 14 steel mills in the United States, employing 9,000 American workers at our integrated network of recycling operations, mills, and downstream facilities.

The steel industry in the United States, including Gerdau, is globally-competitive. However, unfair imports from China have for years caused serious damage to our industry. While we can compete, and do compete, with any fair imports, we simply cannot compete with the Chinese Government and its unfair practices.

As explained in USTR's detailed Section 301 report, imports from China are encouraged by Chinese Government policies and unfair practices with respect to technology, intellectual property, and innovation. Gerdau supports the efforts of the U.S. Government to address these harmful practices by imposing an additional duty on many Chinese products, including steel grinding balls.

It is very important to Gerdau and our industry that USTR also include sheet piling on the Section 301 list. U.S. sheet piling imports from China accounted for more than $22 million in 2017, an increase of 46 percent from 2015 import levels. And Chinese imports of sheet piling remained at extremely high levels in the first half of 2018, despite 232. This is, undoubtedly, the result of Chinese governmental support of Chinese steel producers, as well as other unfair steel practices.

The effect of direct competition with unfairly-priced imports has been disastrous for Gerdau and for our employees. Our production, sales, and financial performance have all taken a significant hit, and we have been forced to operate the facilities at far below optimal capacity utilization levels. As a result, our margins have suffered, and our ability to invest in our operations has been limited. Retaining steel grinding balls on the Section 301 list and adding sheet piling would directly address China's unfair trade practices and their adverse impacts on the U.S. economy, including Gerdau's operations.

USTR has noted that Section 301 duties will be imposed on products that benefit from

Chinese industrial policies, including Made in China 2025. For decades, the Chinese steel industry has benefitted from policies of Chinese Government, including five-year plans specific to steel. The Made in China 2025 policy also specifically addresses the steel sector and the technological roadmap for Made in China 2025 priority sectors.

At the same time, these tariffs are not likely to disrupt the U.S. economy, as there are multiple U.S. and alternative import sources for steel grinding balls and sheet piling. Gerdau and other manufacturers produce these products in the United States. There are also significant import sources under the relevant HTS numbers from other trading partners, including Luxembourg, the UAE, Canada, Belgium, and Germany. Gerdau is not aware of any other legal or administrative constraints affecting these tariff lines.

Therefore, we request that USTR keep steel grinding balls on the list and add steel sheet piling to the list of Chinese products subject to the Section 301 duty. We also request that USTR increase the tariff from 10 percent to 25 percent, consistent with its recent proposal. This higher tariff rate will more accurately level the playing field with Chinese products which are being imported at extremely low, unfair prices.

Gerdau thanks USTR and the other government agencies here today involved in this investigation for taking steps to address China's unfair trade and related practices. Thank you on behalf of Gerdau and our more than 9,000 American workers.

MR. BURCH: Thank you, Mr. Parr.

Our next panel witness is Jonathan Potts with Precious Metals Association of North America.

Mr. Potts, you have five minutes.

MR. POTTS: Members of the Section 301 Committee, thank you for the opportunity to testify today on behalf of the Precious Metals

Association of North America.

The Association represents the interests of companies that refine, recycle, manufacture, trade, and deal in precious metals, including gold, silver, platinum, and palladium. Many of these companies rely on imported raw materials so they may recycle, refine, and manufacture finished products for sale on the global market. This generates valuable revenue for our economy and, more importantly, supports over 125,000 high-paying jobs across the country.

We support this Committee's efforts on holding China accountable for unfair trade practices, but have concerns that imposing a 25 percent tariff on precious metals imports will backfire on our industry. Rather than bringing about meaningful change with China, tariffs targeting precious metals, under HTS Chapters 28, 38, 71, 73, and 74, will have a negative impact on our domestic manufacturing base and open the door for damaging retaliatory action.

You see, precious metals are a limited

resource and, as such, our domestic industry relies on a global supply chain to achieve success within the United States. For example, the list of proposed tariffs includes HTS 7112.30.00, ash containing precious metals or precious metals compounds. When precious metal scrap is recycled, valuable ash remains that can be melted, refined, and manufactured into new material that can be exported back to China.

In 2017, we imported $6.3 million in precious metals from China, over one-third of the total U.S. imports. Should China shift exports elsewhere as a response to increased costs, revenues for U.S. manufacturers will decrease, and eventually there will be a negative impact on workers, wages, and jobs.

China has already threatened retaliation on 1.1 billion in U.S. precious metals exports, including items manufactured in the U.S. from Chinese scrap, as well as manufacturing inputs such as silver powder for solar panels and platinum group metals for catalyst.

These kind of disruptions to our supply chain would put high-paying U.S. manufacturing jobs at risk. Furthermore, we believe that the proposed tariffs on precious metals will have a minimal impact on many Chinese unfair practices that hurt our industry at home. As the USTR continues to look at opportunities to address Chinese unfair trade practices, I urge you to remove precious metals from the consideration of any additional tariff or tariff increase.

On a final and related note, China is well known for its rampant production of counterfeit American products, including bullion coins and bars that are often marked as replica or copy on ecommerce sites and imported into the U.S., and then, passed off as legitimate within our borders. Understanding this is a complex issue, absent a one-size-fits-all solution, it would be tremendously helpful for future trade agreements to include language for marking requirements on imported imitation coins modeled after the Hobby Protection Act.

Thank you for your opportunity to testify.

MR. BURCH: Thank you, Mr. Potts.

Our final panel witness is Bikram Singh with NewAge Casting.

Mr. Singh, you have five minutes.

MR. SINGH: I would like to thank the United States Trade Representative for allowing me to comment upon the acts of Section 301. This is truly what makes our country the greatest place in the world. We, the people, know that our voice matters on these types of decisions.

My name is Bikram Singh. I am the President and CEO of NewAge Casting. I am an economist who graduated from the University of Texas at Austin. Go Longhorns.

So, to start, the ad valorem tariff tactics will benefit no one, especially in the midst of a tit-for-tat trade war. This will result in a very uncomfortable increase in cost-of-living expenses to the end-users, the consumers, our hard-working taxpayers of this country. Our expenses will increase by 25 percent if these proposed modifications get put into effect, and we will have no increase in wages or salaries to offset this 25 percent ad valorem tariffs. This will throw our country back into a serious economic depression.

I am a Sikh American who resides in Houston, Texas. To shed a little bit of light on who Sikhs are, we are groomed from birth to always help our community and stand up and fight for truth, and that's why I am here in front of you today.

NewAge Casting supplies a very niche product, cast iron soil pipe and fittings used for the drainage systems utilized in the residential, multi-family apartments, commercial construction industry. Our product is classified under the Harmonized Tariff Schedule of the United States HTS subheading 7303.00.0030 and 7307.11.0045.

NewAge Casting product category drains the wastewater from all buildings such as schools, hospitals, apartments, high-rise buildings, homes, courthouses, hotels, arenas, airports, jails, dorms, other industrial quality commercial buildings. Any building that has restrooms or kitchens or gets rain must have a drainage system utilizing cast iron soil pipe and fittings for their buildings.

This is a commodity product that has been used for over 100 years. Our product is a gravity-based and a very old technology which has had no innovations in technology or advancements. There is an international standard, such as ISO and ASDM standards that are applicable to our product category. These standards define the raw materials, the QC procedures, product dimensions, plus or minus tolerances of our products.

There are no companies to U.S. intellectual properties or technologies to the Chinese of these products. There's no evidence or risk of theft of any intellectual property involved in the production of cast iron soil pipe and fittings for plumbing systems. Rather, the productions of cast iron soil pipe fitting products do not require these advanced, leapfrog technologies that are in concern today. Further, since cast iron soil pipe fittings do not involve technologies related to the negotiations with Chinese companies, there is no opportunities to undermine U.S. companies and control over technology in China in this industry. Finally, cast iron soil pipes are not a part of the Made in China 2025 Initiative. So, there's no evidence that the cast iron soil pipe and fittings industry in China has been a target of the trade and investment practices highlighted in the Section 301 report as burdensome or unreasonable.

NewAge Casting is an American-owned and operated company. We are headquartered in Sugar Land, Texas. We have four distribution centers across the nation to support our 250-plus independent, family-owned plumbing supply house stocking distributors. Additionally, we have 40 independent sales representatives/agencies across the country to support our sales efforts nationally.

These proposed modifications will significantly impact our ability to do business. This will hurt for future innovations the research that was put in to study our drainage systems, to engineer new coatings that NewAge is the only company in our industry doing.

Our country is built on competition, and competition is what is required for our country to thrive. With no competition, two things happen. Quality goes down and price goes up.

The U.S. market of cast iron soil pipe is highly concentrated. There is only three major players. Two of them are dominant domestic cast iron soil pipe producers, Charlotte and McWane, which have had numerous FTC investigations for anticompetitive behavior and price-fixing.

CHAIR GRIMBALL: Mr. Singh, please conclude. Please conclude.

MR. SINGH: Thank you for your time.

MR. BISHOP: Thank you, Mr. Singh.

Madam Chairman, that concludes direct testimony from this panel.

CHAIR GRIMBALL: We'll begin questions in a few moments.

Okay, we're ready to begin.

MR. BLAHA: Thank you.

I had a question for Mr. Bhutada of Star Pipe Products. I think in your testimony you indicated that products produced domestically, both the fittings and the joint restraints, are not cost-competitive versus, I think, any imports that you referenced. All third countries are more cost-competitive than the United States.

To the extent that production of these products would increase in the United States, are there scale effects, and whatnot, that would make the U.S. more cost-competitive if it had a larger production footprint?

MR. BHUTADA: There are certain scale effects, but there wouldn't be enough to make them cost-competitive with any import product. They wouldn't be able to -- there's such a vast difference between the cost of an imported product from anywhere else and product produced here.

MR. BLAHA: Okay. Thank you.

MS. GILLESPIE: I have a question for Mr. Braden. And then, Mr. Parr, you're welcome to comment also.

So, first off, do you believe that U.S. producers have the capacity right now to increase production of steel hollow bar and steel sheet piling?

MR. BRADEN: I absolutely do. Yes, I think that there's much more --

MR. BISHOP: Can you get a little closer to your microphone, please.

MR. BRADEN: I'm sorry.

Yes, I absolutely do. There is

certainly a much more willingness to invest in going forward and promoting with our business development and engineering teams, doing so, and then, we have people on the sidelines right now. We're not running at full capacity at our mills. So, with what has happened with China, we've certainly been pushed to the side.

MS. GILLESPIE: Thank you.

MR. PARR: And from Gerdau's perspective, we also have substantial unused capacity at our mills within the United States. So, absolutely, yes.

MS. GILLESPIE: Great. And could you please comment on third-country sources of these and what they're competitiveness is like in the U.S.?

MR. BRADEN: I'm sorry, can you say that again?

MS. GILLESPIE: Can you comment on third-country sources, non-Chinese sources, for these products in the U.S.

MR. BRADEN: Outside the U.S.,

Luxembourg is a country that brings in steel sheet piling, and they compete with U.S. mills as well. And I don't believe there's any issues with that.

MS. GILLESPIE: Okay.

MR. PARR: And I think United Arab Emirates and several other producers also ship into the U.S. and compete with the U.S.

MS. GILLESPIE: Thank you.

MR. O'BYRNE: Mr. Brashem, you indicate in your testimony that, between 2015 and 2017, that there was a significant increase in U.S. steel produced using electric arc furnaces, but that at the same time there was declining capacity for producing graphite electrodes domestically and in third countries. Would you please comment on why production declined at this time and whether this trend might reverse if tariffs are imposed?

MR. BRASHEM: Well, during that period of time, the graphite electrode industry worldwide was an overcapacity situation and prices were severely depressed. A company like Superior Graphite, who actually I sat in this room nine years ago and competed with them against an antidumping case that was brought up against Chinese electrodes -- unfortunately, with the antidumping case in place and the duty rate at 159 percent set for Chinese producers, although we don't have that rate with our importation, they were unable to compete, and they were competing against other producers around the world, and they failed to survive. So, they shut down that operation and they sold it to an operation that is involved in the production of products, I understand, for the lithium ion/anode business.

At the same time, similarly, Graftech, who was a U.S.-owned company -- now they're Canadian-owned -- shut down their operation or idled their operation in St. Marys, Pennsylvania, and so, once again, because there was significantly-depressed pricing. This industry is an oligopoly. There's few producers around the world. There's a few pockets. A lot of production shifted, then, as I stated, to the lithium ion/anode business.

So, in addition to our sourcing from China, we also source material from the Ukraine and we also source material from Japan. Our Japanese producer has a production capacity of 40,000 tons, or had, of graphite electrodes. But, during this downturn, they shifted a percentage of their capacity to the lithium ion/anode production. And today, they limit their production at 20,000 tons of capacity.

So, at the same time, Chinese steel production increased -- as use of EAF production has increased, they've tried to control their environmental issues. So, they pushed for the development of EAF in China. And our production, because companies like Nucor, Gerdau, and CMC only use EAF in their production of steel, their business has grown back up. I think capacity/utilization today is about 76 percent. Gerdau has built -- CMC has built more micromill.

Nucor is building micromills. They're using more electrodes in their production. And so, it just swung at the right time, and as a result, we saw prices increase fivefold on graphite electrodes at the beginning of 2017 and severely impacted the steel producers.

MR. O'BYRNE: Thank you.

MR. FLEMING: Mr. Marvel, you mentioned that about half of all imports of natural flake graphite come from China. Who are the other third-country importers, suppliers?

MR. MARVEL: Some graphite comes from Brazil and, then, also Europe.

MR. FLEMING: And if prices were to increase for Chinese imports, would the U.S. be able to switch into those suppliers?

MR. MARVEL: They would, yes. There would be a capacity concern, though.

MR. FLEMING: Okay. Could you elaborate on that?

MR. MARVEL: I would have to do some more homework and response to that in writing, but I can and will do so.

MR. FLEMING: Thanks.

MR. RIGBY: Mr. Milligan, in your testimony you stated that imports of steel fence posts from China grew by 82 percent since 2009 and now account for 20 percent of the U.S. market. Just for some context, could you estimate the market shares for other sources, notably domestic producers and any leading third countries, and whether that rapid Chinese growth -- which portion of the share impacted domestic producers versus other third countries?

MR. MILLIGAN: Well, first of all, I don't have exact knowledge of competitors' market shares, but the China fencepost market, as I said, has grown to a little over 20 percent today. It imports about 70,000 tons of the product per year. CMC is the largest producer. We produce and maintain a market share of about 35 percent in the U.S. market, and I think the other four producers are probably about of equal footing of what they produce.

MR. CONCEICAO: Mr. Parr, in your testimony, actually you and Mr. Braden discussed -- was it sheet piling? -- steel sheet piling and grinding balls. And you've already said your companies have sufficient capacity to meet any shortfall in demand, were duties to be imposed on Chinese products. You mentioned there were a number of third-country suppliers, UAE, Canada, Luxembourg. To your knowledge, do they have excess capacity as well that could be used to meet demand, should your capacity not be able to?

MR. BRADEN: I can speak for Luxembourg. Yes, they do.

MR. CONCEICAO: Okay. And one other question I wanted to ask, open to either of you, are either of the HTS numbers you referenced for sheet piling or grinding balls currently subject to the Section 232 duties? I don't think the balls are, but --

MR. PARR: I believe the codes for sheet piling are subject to 232; grinding ball, not.

MR. CONCEICAO: Okay. And have you noticed an impact in the pricing of sheet piling since the imposition of those duties?

MR. BRADEN: It's been very minimal.

MR. CONCEICAO: Really?

MR. BRADEN: Yes.

MR. CONCEICAO: Okay. Thank you very much.

MR. RIGBY: A question for Mr. Potts. In your statement, you argue that tariffs will disrupt you supply chain. But, given the global market for precious metals, what are the primary obstacles that would prevent you from buying these materials from other global suppliers?

MR. POTTS: Much of this is recycled material. So, raw materials -- I'm sorry -- raw materials are coming from China to U.S. refiners and manufacturers who, then, remanufacture, if you will, those materials, which are exported back to China. So, it's a bit of a recycling process between us and China themselves. So, we send them product that they use in some of their manufacturing processes. Their scrap produced, scrap is, then, sent back to the U.S., where it is recycled once again.

CHAIR GRIMBALL: Okay. This question is for Mr. Singh. Mr. Singh, I believe your written summary might have focused somewhat on epoxy-coated fittings, is that correct? Are there any domestic sources for the epoxy-coated products?

MR. SINGH: Bikram Singh, NewAge Casting.

NewAge Casting innovated the epoxy-coated cast iron to the plumbing industry in the United States about five years ago. There's been no innovations for the domestic producers, to my knowledge, for over 40 years.

CHAIR GRIMBALL: And where do your company's competitors import their products from?

MR. SINGH: My two largest competitors are domestic producers.

CHAIR GRIMBALL: Okay.

MR. SINGH: They control, roughly, 95

percent of the market share.

CHAIR GRIMBALL: And their products are 100 percent U.S. content, as far as you know?

MR. SINGH: I believe the raw materials are sourced globally because they're using scrap iron, and that's a commodity that's bought all over the globe. They might be buying it from local sources here in the U.S., but it's probably coming from all over the world. The coke that is used in our manufacturing process is probably sourced locally.

CHAIR GRIMBALL: Okay. Thank you.

MR. BISHOP: We release this panel with our thanks.

CHAIR GRIMBALL: Okay. We are going to take about a 30-minute break for lunch. If everyone could return at about 1:10?

(Whereupon, the above-entitled matter went off the record at 12:38 p.m. and resumed at 1:07 p.m.)

MR. BISHOP: Mr. Chairman, our first witness on this panel is William Brennan with

BISSELL Homecare, Incorporated.  Mr. Brennan, you have five minutes.

MR. BRENNAN: Good afternoon, Mr. Chairman.  My name is Bill Brennan and I am General Counsel for BISSELL Homecare, Inc.

BISSELL is a U.S. company based in Grand Rapids, Michigan.  We were founded in 1876 by Melville and Anna Bissell and we remain family owned and operated.

For 142 years, we have made and sold innovative and affordable products for home cleaning.  We have over 700 employees in the United States and 1,000 employees worldwide, and we're the world's number one floor care brand.

Last year, over ten million U.S. consumers purchased BISSELL cleaning devices. BISSELL imports these products into the United States from China and almost all are classified as vacuum cleaners.

We are here to ask that you remove vacuum cleaners and parts of vacuum cleaners from the tariff list, and here's why.

First, a tariff on vacuum cleaners will harm U.S. consumers. Most of our products are sold at value price points to middle and lower-middle class consumers. BISSELL will have no choice but to raise its prices in response to this tax and so, these consumers are the ones who will be burdened.

To the extent consumers choose not to purchase our products because of these price increases, then our retail customers and employees will suffer, and our continuing efforts to reinvest in our business with new innovations will be radically compromised.

And in fact, that compromise has started already. We were planning to add 100 jobs in Grand Rapids in the next year, but the threat of these tariffs has put the brakes on those plans, as we wait to see how the tariffs will affect our business.

If the goal of this administration is to add jobs to the U.S. economy, the result of these proposed tariffs at BISSELL couldn't be more counterproductive.

Second, BISSELL cannot currently source our vacuum cleaners outside China. We have been scouting for non-China sourcing options for years, to no avail.

We know of two quality vacuum cleaner manufacturers in Malaysia, but our competitor Dyson, a U.K. company, has exclusive arrangements with both. And Dyson's products are sold at much higher prices, over $300 per unit, which suggests a higher cost structure at those vendors.

Meanwhile, all vacuum cleaners at middle or lower price points in our economy, including those sold by BISSELL, are currently made in China.

It's a mistake to assume China's cost advantage is based on labor costs. Rather, China has developed a unique infrastructure of capital investment and skilled suppliers to support the floor care industry in a highly efficient manner.

BISSELL has strategic relationships with eight assembly facilities in Shenzhen and

Suzhou and a network of close to 30 parts manufacturers, each with substantial investments in injection molding, motor winding, wire and cord making, filter manufacturing, circuit board assembly, and other necessary fabrication operations and testing fixtures, which allow them to efficiently feed quality parts to our assembly vendors.

These facilities combine to manufacture 160 different product platforms for BISSELL. And each platform requires almost 200 unique tools and dies.

If you do the math, this supply chain is molding over 30,000 separate, unique BISSELL parts. That is an enormous amount of production capacity, at least as far as we're concerned.

This capacity can't just be picked up and moved. We recently moved a single platform and it took a year and a half in planning and another nine months of problem solving after the move. And that was a move to an already known and skilled supplier in the same region.

Any transfer to a new supplier in a new country would take considerably more time and effort. Our company does not have the resources to move multiple platforms at the same time and it would take years to move even a share of our production operations.

In the meantime, the cost increases driven by these tariffs will be magnified on the retail prices for our products, as they pass through the chain of distribution. This will compromise the value proposition we offer consumers, which drives our competitiveness in the market.

Finally, vacuum cleaner manufacturing is not a strategic technology identified by China's Made in China 2025 plan. And there is no reason to believe a tariff on vacuum cleaners will advance the goal to eliminate China's practices related to technology transfer, intellectual property, and invasion.

So, in sum, the proposed tariffs on vacuum cleaners and related parts will disproportionately harm both BISSELL, a U.S. company, and our value seeking U.S. consumers, through radical price increases. And there is nothing we can do to reduce our reliance on Chinese sourcing in the years ahead.

For these reasons, BISSELL urges USTR to remove vacuum cleaners from the tariff list. Thank you very much.

MR. BISHOP: Thank you, Mr. Brennan. Our next witness is Earl Jones with GE Appliances. Mr. Jones, you have five minutes.

MR. JONES: Thank you. Good afternoon. Again, Earl Jones is my name. I'm Executive Counsel with GE Appliances.

I've been with GE Appliances for over 30 years, when it was first a division of the General Electric Company, and then, after the 2016 acquisition by Haier, a subsidiary now of that global appliance manufacturer.

I wanted to talk today about the issues facing GE Appliances as a U.S. manufacturer. And to describe to you why these proposed tariffs are an impediment to continued survival, production, and growth as an American manufacturing company.

Now, some of you may remember that I was here earlier in the 201 proceeding for washers and also was involved in earlier proceedings involving tariff proposals for anti-dumping proceedings involving washers.

So, you might wonder why I'm here today talking about tariffs. Well, again, it's because I'm talking on the question now on behalf of American manufacturers and the employees that we have in Louisville, Kentucky, in Alabama, in Tennessee, in Georgia, and in South Carolina, and what it takes for an American manufacturer to grow in the United States today.

So, although GE Appliances does import some specialty and niche products, again, today, I want to talk about those that we manufacture here in the United States.

And I want to talk specifically about three particular reasons why this is important for GE Appliances and for other American manufacturers.

First, the products that we're talking about here, these inputs are both low value-added commodities, which make them poor candidates for on-shoring. In fact, other countries are already lining up to take the place of China, should they be relocated from importation from China.

Second, access to global commodities like these allows U.S. manufacturers to make products that compete with finished goods imported into the United States, that use the same global commodities.

Third, driving up the cost of these inputs threatens the very real jobs and much higher value-added production operations, like those in the states I mentioned earlier.

So, I want to just illustrate this by talking about three particular components that are used in the manufacture of our products.

And the first one is AC motors. These are used to enclose washers that are manufactured in our plant in Louisville, Kentucky, where 850 employees of the 6,000 employees at Appliance Park work.

These motors are not made in the United States, they haven't been made in the United States for many years, and certainly not in the quantities required to supply the U.S. appliance manufacturing industry.

This is the kind of product that I suppose you might say sort of devolved to be manufactured in China, a place where both the labor and capital costs were such that they could afford to produce products that were both of a certain level of technology, low cost, low margin kind of products.

And of course, I think those are the reasons, particularly the low margin, why these products left the United States to begin with.

So, this is one example of a product which is critical for the manufacture of washers, is not available in the United States, no prospect of it returning to the United States, and doesn't seem to be connected to any grand industrial policy that any country, particularly China, would be pursuing.

Let's talk next about fans, fan assemblies. These are products that we use in our plant in Lafayette, Georgia. There's a cooking facility there that has about 1,900 associates.

And these fans are used both to help disperse heat throughout the product, as well as to cool the electronics that are used in the product. So, they have both a performance and a safety role to play.

The reason why I mention these is because this is another one of these products which has a particular function, again, low cost, low margin, not particularly high in technology. And it's also devolved to be manufactured in China.

And then, finally, talk about conductors, or wire harnesses. These are the products that basically are attached to these products that conduct electricity or move it from one part of the product to another.

These, I want to talk about their use in the manufacture of top-load refrigerators, which are manufactured in our plant in Decatur, Alabama, by our 1,400 employees there.

On the 29th of June, GE Appliances announced that it was going to be proceeding with an investment of $115 million, to increase the production capacity of that facility by about 40 percent.

Eleven days later, we learned about the proposal to impose tariffs on products that would be used as inputs to that product. Nonetheless, we proceeded with that investment.

And I think you should understand the potential impact of not only that particular component, which may be adding a few dollars, but all these components together, when you add them together, the motors, the wire harnesses, the fans, the conductors, all these things basically together could add as much as $12, $15, or $20 to the cost of a product, which at retail then could be anywhere from $40 to $50, and that doesn't include the cost of inflation, which in the case of metals and other commodities, have been increasing recently for other reasons altogether.

CHAIR BUSIS: Thank you, Mr. Jones, we'd be happy to read the rest of your testimony in your written submission.  Thank you.

MR. BISHOP: Thank you, Mr. Jones.  Our next witness is Jim Estill of Danby Appliances. Mr. Estill, you have five minutes.

MR. ESTILL: My name is Jim Estill.  I am CEO and owner of Danby Appliances.  So, we're family owned.  We manufacture, assemble, and distribute appliances throughout the world, but most of our sales are in the United States.

We're here to ask for tariff relief only on items which are not manufactured in the States by ourselves or any other company.

So, these are products which are only manufactured outside of the United States and primarily manufactured in China, sort of for the same reasons that the gentleman from BISSELL said, that the supply chain has been very perfected, the manufacturing of these small refrigerators and freezers and air conditioners.

From 1979 to 2014, 9,000 people died during heat waves because of the heat in the United States. During that same time period, in 2010, one year only, in Russia, 55,736 people died. The primary reason for that is, in Russia, there was not access to affordable air conditioning.

If we maintain the duty rate on window air conditioners and portable air conditioners, there will be deaths as a result. It is an affordability issue.

I assume none of you have window air conditioners, you all have central air conditioners. But our customers tend to have window air conditioners, they tend to be very entry-level.

In the United States, 150 tons of food is wasted every single day. That amounts to $65 billion per year. If we do not give consumers access to affordable refrigeration and freezers, there will be increased food waste and that will be at the cost of those who can least afford it.

Thank you and I look forward to your questions.

MR. BISHOP: Thank you, Mr. Estill. Our next witness is Bruce Procton of Endura Products, Incorporated. Mr. Procton, you have five minutes.

MR. PROCTON: Thank you. Good afternoon, my name is Bruce Procton and I'm the CEO and President of Endura Products, a U.S. manufacturer headquartered in Colfax, North Carolina.

I appreciate the opportunity to testify here today and I want to thank the U.S. Trade Representative and all those involved in the Section 301 investigation for their hard work in taking these important steps to address China's unfair practices.

Today, I want to talk about the

harmful effects that China's practices have had on Endura, the leading manufacturer of components for entry door systems in the United States.

Endura strongly supports USTR's determination to include HTS codes for a number of entry door system components on List 3, but we also urge USTR to add additional entry door components to the list, such as door thresholds and exterior door frames.

Door thresholds are typically one of the more highly engineered components of entry door systems.

Endura also strongly supports increasing the proposed duty from ten to 25 percent.

Endura is a family owned business, founded in 1954 by my grandfather. Over time, our product line has evolved to focus on door-related components and hardware, including thresholds, sill, and frame products.

In short, Endura manufactures exterior door components, including door thresholds, door frames, astragals, locks, and hardware. A finished door unit is comprised of a door threshold, door frames, a door panel, glass insert, hinges, and weather stripping.

Other than the door panel, glass insert, and hinges, Endura sells these components to pre-hangers, who then assemble the final finished door unit for delivery to contractors and developers for installation at the project site.

Endura currently has production facilities in North Carolina, Texas, and Oregon, employing over 700 people.

Unfortunately, several of our competitors within the industry have either abandoned or bypassed U.S. manufacturing and are now principally importing the overwhelming majority of their door components from China and reselling at prices which are far below our costs to manufacture domestically.

As I mentioned, we strongly support the inclusion of the entry door components that are already included in List 3 and urge USTR to also include other important components that do not appear on the list, specifically door thresholds and exterior door frames.

Door thresholds, in particular, have been the target of widespread and consistent circumvention and design appropriation efforts by our competitors.

In 2011, the U.S. aluminum extrusions industry successfully petitioned for anti-dumping and countervailing duty relief from unfairly priced Chinese aluminum extrusions.

Door thresholds, our main product line, were expressly included in the scope of these orders. However, since the imposition of relief, our competitors have stopped at nothing to evade the duties.

These evasion schemes involve classifying thresholds under wrong HTS subheadings, manipulating the chemical composition of the aluminum, and trans-shipping the product through other countries.

As a result, imports of extruded aluminum door thresholds from China have increased by more than 55 percent since 2015, primarily at Endura's expense.

In addition, several of our import competitors are now attempting to have the thresholds removed entirely from the scope of the orders. This would have a disastrous effect on our business.

Unfortunately, our door component industry is a perfect illustration of how U.S. importers, with the help of their Chinese suppliers bent on cheating the system, can undermine trade relief that U.S. industries are owed.

Faced with this continued harm from unfair imports, at the beginning of this year, Endura took several steps at U.S. Customs and the Department of Commerce to enforce the anti-dumping and countervailing duty orders on thresholds. However, progress is slow and the harm is continuing.

Apart from our enforcement efforts, Endura is also seeing our products copied by Chinese producers and subsequently sold in the U.S. market in direct competition with our own product manufactured right here in the United States.

For example, after certain of Endura's patents on particular door thresholds and wood frame products expired, we noticed virtually identical product coming from China at prices far below our costs of production. These products were and continue to be priced 15 to 25 percent below ours.

The continued evasion of the AD and CVD duties meant that these products gained quick acceptance in the U.S. market, because these Chinese copies were based almost entirely on our designs that had an established presence and strong demand in the U.S. market.

Chinese producers simply reproduced our designs, sold them as their own, took market share from us using our design at prices well below our costs of production.

Now, to make matters worse, recent tariffs on raw materials like aluminum have raised our domestic manufacturing costs, but Chinese manufactures face no such increases.

To prevent them from further undercutting our prices, it's imperative that this administration impose tariffs on the semi-finished and finished products that these Chinese manufacturers are exporting to the U.S. market.

Over the last seven years, Endura has been fighting to gain a level playing field, but our efforts have been repeatedly thwarted by unfair, and often illegal, activity.

On behalf of Endura, our workers, and the communities in which we are located, we urge you to address the harmful impact that China's practices have had on our industry by including in List 3 all relevant door component HTS codes, which we will provide in our written comments, and to increase the proposed tariff from ten to 25 percent.

China's unfair practices have been allowed to continue for too long and it's now time for decisive action. Thank you for your time and attention and I'd be happy to answer your questions, when you have them.

MR. BISHOP: Thank you, Mr. Procton. Our next witness is Amanda Robbins with Signature Brands, LLC. Ms. Robbins, you have five minutes.

MS. ROBBINS: Good afternoon. I'm Amanda Robbins, Director of International Procurement at Signature Brands, LLC. For the past 13 years, I've planned, developed, and directed the purchase of international goods and services for Signature Brands.

Signature Brands is a United States-based manufacturer and distributor of Cake Mate and Betty Crocker brands of dessert decorating products, PAAS Easter egg decorating kits, Pumpkin Masters pumpkin carving and decorating kits, and GiftPop Quality Popcorn.

Signature Brands owns and operates two manufacturing facilities, a distribution center, office space, and a warehouse in Ocala, Florida, and leases a sales office in Bentonville, Arkansas. We have over 300 employees in the United States.

We urge this administration not to impose the proposed Section 301 duties on Signature Brands products, as it would have a detrimental effect on our employees, our business, and our customers.

Signature Brands products are used to create memories and build family traditions throughout the holiday seasons. The proposed Section 301 duties on our seasonal consumer products will have a disproportionate adverse impact on customers.

Signature Brands affirms that the imposition of additional tariffs on seasonal products will not be practicable or effective in obtaining the elimination of China's acts, policies, or practices related to technology transfer, intellectual property, and innovation.

We further submit that imposing the

proposed additional duties on these seasonal products will cause economic harm to our company.

PAAS and Pumpkin Masters are inexpensive products intended for a single holiday season use. They are disposable and not technologically advanced products, thus having no desirable intellectual property or trade secrets that will help the Chinese advance their initiatives in the China 2025 plan.

The only impact of the proposed additional ten or 25 percent tariff will be an increase in prices. An increase in price will impact not only the American consumer, but will result in a loss of sales for Signature Brands and adversely impact our business.

PAAS is a 140-year-old brand, offering Easter egg coloring kits containing dye and various other components, such as stickers, paints, and glitter, to color and decorate eggs as part of the American Easter holiday tradition.

The specific HTS that impacts these dye kits is 3212.9000. Americans purchase more than ten million PAAS Easter egg coloring kits each season that decorate as many as 230 million eggs.

Because these are disposable single-use kits, the cost to produce and the price the consumer is willing to pay must remain low. Any slight increase will reverberate through the consumer, to the retailer, to Signature Brands.

Every October, Americans throughout the United States carve pumpkins with family and friends. Pumpkin Masters provides fun, decorative, and safe pumpkin carving and decorating options.

Pumpkin Masters is the creator of the world's first pumpkin carving kit and is deeply committed to upholding its reputation as America's trusted Halloween brand.

The products impacted by the proposed tariff for Pumpkin Masters include HTS codes that you can read in your comments. Again, because these are a one-time, single-use purchased product, the cost to produce must remain low.

The inclusion of these proposed tariff headings will cause significant challenges for our company and the markets we serve. Retailers and their customers have proven unwilling to pay higher prices for these single-use seasonal products.

Signature Brands could not absorb the additional costs. Retailers are unwilling to absorb these additional costs. So, this would only leave customers having to pay the increased prices to cover the additional tariff.

Signature Brands respectfully requests the U.S. Trade Representative exclude the aforementioned HTS designations from the list of proposed goods subject to an additional ten or 25 percent tariff pursuant to the Section 301 investigation.

Thank you for the opportunity to testify today and I look forward to any questions you may have.

MR. BISHOP: Thank you, Ms. Robbins. Our next witness is Brandon Sparrow with Camp

Chef - Vista Outdoor. Mr. Sparrow, you have five minutes.

MR. SPARROW: Good afternoon and thanks for this opportunity to be able to address these issues.

My name is Brandon Sparrow and I'm the Chief Operating Officer of Camp Chef. Camp Chef is headquartered in Hyde Park, Utah. We directly employ 70 employees. Camp Chef has been in business for 19 years.

Camp Chef's products cover all manner of outdoor cooking and entertainment products, from stoves to ovens to smokers and accessories that we use in the outdoors for cooking, including camp chairs and tables.

Our goal is to design and make products that enable Americans to cook effectively and efficiently and affordably in the outdoors.

Settings that typically are used are camping, tailgating, back patio, all the different areas where people gather and enjoy great food.

There's not enough time allotted for me to talk about all the different products that are going to be hit by these tariffs. The full list is supplied to each of you there.

The one that I would like to cover, and we have in-depth written in comments, is, I will focus my time on our core product. Of our whole line of products at risk, that product is the portable stove.

It's HTS number 7321.11.10. Normally, it has a duty of 5.7 percent, which is used for all outdoor activities, like tailgating, camping, et cetera.

Our total import of portable stoves last year amounted to almost 6.5 million. Our total U.S. imports of products under the same heading amounted to 151 million. Ninety-four percent of those came from China. Obviously, there's no other meaningful source for these products.

We do not make them in the United

States, we are unaware of anybody else who makes a comparable product in the United States. There are only some very high-end and niche products that are likely classified under another HTS heading.

Our portable stoves are designed for Americans to cook great food outdoors. Whether that be tailgating, camping, a picnic at the park, or even backyard, our stoves allow the customer to prepare healthy fresh food and enjoy time with their family and friends.

It is so much healthier and more enjoyable than the alternative fast food that we all have become accustomed to here in America, and much better than a bagged lunch.

Nobody wants to take a bagged lunch and eat it on the Fourth of July, you want to have a wonderful time when you're with your family and friends on that occasion.

Our stoves are a great value and are aimed at mass-market, but they are not cheap. Ensuring that these stoves are safe and sturdy does not come without a cost.

The average American family who buys one of our products tends to think through this process. They save a little bit, they may even buy it on credit, or they may buy it over time.

We sell reliable and affordable products to Middle America. We sell it in big box retail stores and directly to the customers through our websites.

Our customers don't have a lot of room in their budgets to absorb an extra ten or even 25 percent in added costs on their camping stoves.

The result of imposing these punitive duties will be that a lot of people will simply not buy Camp Chef stoves. Or even worse, they'll make use of their older ones, many of which are worn out, not safe, and will cause major issues, as far as liability. And worse yet, some will even do without altogether.

What does that achieve? Ordinary Americans will no longer be able to afford grilling before the big game or camping in the woods with their friends and family.

Who's to benefit? Honestly, it's not clear to us. We fully understand the administration's concerns about Chinese industrial policies and that their target of high-tech industries, as well as the need to push back against intellectual property theft.

But that isn't Camp Chef, that's not Camp Chef products on the list, have nothing to do with anything along those lines. They're not high-tech products covered by the Made in China 2025 program.

They are also not products that commonly experience intellectual property problems in China. Ironically, my factories I work with in China are my greatest advocates.

They want Camp Chef to succeed as much or more as anybody in America wants us to succeed. I have long-term relationships with them, they know me well, they know the brand well, and they want the brand to succeed.

We also understand the desire to move against China's retaliatory tariffs, but I just don't see the point of slapping punitive tariffs on portable stoves, outdoor projection screens, camp tables, and most importantly, outdoor grills.

I don't think China cares that much and this is certainly not going to intimidate them. The only ones that will be hurt in this is the American consumer and companies like ours that are trying to design and produce affordable, fun ways for Americans to enjoy the outdoors and take care of their back grilling needs.

Thank you for considering my testimony today and I look forward to questions later.

MR. BISHOP: Thank you, Mr. Sparrow. Our next witness is David Aquino with SharkNinja Operating, LLC. Mr. Aquino, you have five minutes.

MR. AQUINO: Thank you. Good afternoon. My name is David Aquino and I'm the Executive Vice President of Global Operations and

IT with SharkNinja Operating Company, LLC, and I appreciate you allowing me to testify today.

SharkNinja is headquartered in Needham, Massachusetts and has operations throughout the U.S. We design and distribute vacuum cleaners, kitchen and other small household appliances.

We've grown our sales volume by more than five times over the past ten years. During that time, our headcount in the U.S. has grown from less than 100 to approximately 650 employees.

Our growth has been fueled by research and development activities undertaken here in the U.S., and much of the additional headcount are engineers that work in high-paying product development roles.

The majority of our products are produced by third-parties in China and are imported under a number of subheadings of the U.S. Harmonized Tariff Schedule.

We'll comment more on the tariff codes

in our written submission, but today, I wanted to focus on vacuum cleaners and related parts. Those products are classified under subheadings 8508.11.00, 8508.60.00, and 8508.70.00.

First, most of the intellectual property that we use is developed internally and we protect our intellectual property in the U.S. and elsewhere via patents. We rely on our close relationships with a small number of manufacturing partners in China, and we oversee them carefully.

In addition, we have agreements with those partners that include robust intellectual property protection provisions and processes in place to identify and address counterfeit products.

As a result of those measures, we're not aware of any material misappropriation of IP relating to our vacuum cleaners. Therefore, we do not feel that imposing additional duties on those products would be practicable or effective to reduce China's unfair acts, polices, and practices related to intellectual property.

Second, we cannot absorb a ten to 25 percent increase in costs for our vacuum cleaner products, nor can the retailers that we sell to. Accordingly, the cost of the additional duties, or at least some portion thereof, will need to be passed on to U.S. consumers.

The end result would be an increase in prices on vacuum cleaner products that U.S. consumers use and depend on for everyday home cleaning needs.

Third, by raising prices, we would almost certainly see a reduction in our sales volume, or we will be forced to absorb at least a portion of the additional duties ourselves.

This will impede our ability to maintain our financial commitments and invest in new research and development activities. As a result, our ability to develop new and innovative products and create new intellectual property in the U.S. will be diminished.

Lastly, the vast majority of vacuum

cleaners sold in the U.S. today are manufactured in China and moving our manufacturing operations outside of China would not be practical.

At best, it would take years and a significant investment, since the manufacturing know-how, supply chain infrastructure, and specialized skills for our types of products are not readily available in other countries, including the U.S.

We've invested heavily in quality and supply chain oversight for our suppliers and replicating that elsewhere would take time and would create the risk of diminished quality of our products.

To the best of our knowledge, there are no major vacuum brands in the U.S. that manufacture outside of China, except for Dyson, which is headquartered and conducts its R&D in the U.K.

As a result of the negative impact that these duties will have on U.S. consumers and businesses, we respectfully request that the tariff subheadings covering vacuum cleaners and related parts be removed from the list of products subject to additional duties under Section 301. Thank you so much for your time.

MR. BISHOP: Thank you, Mr. Aquino. Our final witness on this panel is Robert Kyle with Spectrum Brands. Mr. Kyle, you have five minutes.

MR. KYLE: Good afternoon. For the record, my name is Bob Kyle of Hogan Lovells. I'm reading this on behalf of Phil Szuba, the President of the Hardware and Home Improvement Division of Spectrum Brands. Thank you for the opportunity to appear.

So I don't have to read this Jimmy John's style, I've made a few cuts from our written text, don't read anything substantive into that.

Let me tell you a little bit about my company. Spectrum Brands is an American manufacturer and global consumer products company headquartered in Middleton, Wisconsin.

A member of the Russell 1000 Index, we offer a broad portfolio of leading consumer brands, such as Kwikset locks, Pfister faucets, Remington personal care products, George Foreman grills sold in stores across America, including Home Depot and Target.

The Hardware and Home Improvement Division sells electronic door locks, door hardware, and other hardware and home improvement products, featuring such well-known and widely trusted brands as Baldwin, Kwikset, Pfister, Stanley, and National Hardware, among others.

Let me respectfully submit that for the products sold and produced by my company, the tariffs you are contemplating would be highly counterproductive to American interests.

I'd like to make four points. First, tariffs on our products would have the perverse effect of making Chinese companies more competitive.

Let me explain using an example of four-inch standard bath faucet we sell. In our business, there are essentially two categories of products.

The first is a branded product, the kind designed and produced for Spectrum Brands in China using American developed technology, such as our faucets under the Pfister brand. Over 36 American engineers in California are used to design our locks, faucets, and builders' hardware.

The second type is produced by Chinese companies in China using Chinese technology. The second type is sold to companies like Home Depot and Lowe's as the more generic private label or house brand. This second type of product sells for a lower price.

Both products would see a roughly ten to 25 percent increase in price, depending on the tariff level imposed. But because there is a starting price gap between the two products, the actual dollar price gap between the two products will widen.

For example, our branded bath faucet

retails for $89, whereas the generic faucet sells for $65, a starting gap of $24. With the imposition of tariffs, that gap would grow to $26 or $30, depending on whether a ten or 25 percent tariff is imposed.

That gap is huge for our customers. Our average customer earns $40,000 to $60,000 per year, families who work hard to make ends meet. Dollars and cents matter. Price changes of several dollars at retail make a real difference in their purchases.

This is a big deal. The end result is that our Chinese competitors will benefit from these tariffs. Their market share will grow, which will simply fuel their R&D spending to develop the next generation of electronic locks and other home improvement products.

We will be forced to shrink our R&D spending as sales decrease. Perversely, the U.S. Government will have fueled the growth of our Chinese competitors. This can't be what you intend.

Second, American homeowners and do-it-yourselfers will suffer. The tariffs would spike prices ten to 25 percent, hitting millions of Middle American consumers.

The price jumps may be higher, because markups along the supply chain are imposed on tariff elevated prices, magnifying the retail price effect.

The large box stores have indicated they fully expect to pass tariff prices along to consumers. The result, substantially higher prices for Middle Americans seeking to fix that lock or repair a leaking faucet.

Contractors and homeowners will also be hit. About 35 percent of our sales at Home Depot are to professionals, such as plumbers and builders.

Price increases will drive up building costs, making it harder for more Americans to realize the American Dream of owning their own home.

Third, tariffs on our products will

cost American jobs. Our Chinese facilities are integrally tied to American jobs here at home. Our advanced manufacturing facility in Denison, Texas sources raw materials in the U.S., fabricates and die casts those components, then ships them to China to be incorporated into our locks.

American workers in our North Carolina facility custom assemble locksets imported from China to use primarily in the builder channel. Roughly 22 percent of the final value of these products is made in America. Tariffs cripple these American jobs as well.

And finally, our products have no relation to the technologies of the Made in China 2025 program. At the beginning of this process, the administration made it clear it was focusing on the Made in China 2025 program in excluding consumer products.

Our products merit exclusion under both these criteria. Their inclusion on the tariff list will not advance this criteria, instead, it would cause manifest harm.

It would advantage our Chinese competitors, fuel their R&D spending, hurt consumers, and cost American jobs. We respectfully submit that imposing tariffs on our products would be counterproductive and contrary to the best interests of the United States. Thank you.

MR. BISHOP: Thank you, Mr. Kyle. Mr. Chairman, that concludes direct testimony from this panel.

CHAIR BUSIS: Thank you, witnesses, you all gave excellent testimony. We're going to first ask questions of the five witnesses who imported completed appliances or cooking devices. And then, we'll complete the questions. We'll start with Ms. Smith.

MS. M. SMITH: Thank you very much. I'm Maureen Smith, I'm from the Department of Commerce. I am the Director of the Office of Supply Chain in our Industry and Analysis Unit. So, several of the comments presented today that center around supply chain are of great interest to me.

If I may, I'd like to start with a question for Mr. Brennan from BISSELL. Let me identify myself as a long-time user of your excellent products --

MR. BRENNAN: Awesome.

MS. M. SMITH: -- so, thank you very much.

MR. BRENNAN: My work here is done.

(Laughter.)

MS. M. SMITH: So, you argue that China does not actually have a labor cost advantage, but rather a unique infrastructure or supply chain structure, that has allowed it to dominate this industry.

In your view, what has allowed China to develop this infrastructure, while other production sources, such as Malaysia or Mexico, for example, have not done so?

MR. BRENNAN: Well, I think perhaps I wasn't very clear. China does have a labor cost advantage relative to the United States, there's no doubt about that.

But their labor cost advantage relative to other countries in the region has been lost. But I believe that 30 years ago, they had a labor cost advantage and that was part of their driver to bring opportunities there.

It's a very dynamic economy and driven by competition and a very entrepreneurial population. And I think those factors have driven their concentration of expertise and competition in that region over the last three decades, such that they are where they are today.

Again, it's not something you can rip up and duplicate elsewhere very readily at all. But those factors and other -- their labor costs have risen relative to other costs in the region, but their infrastructure is such now that you just can't find another place that does what they do.

MS. M. SMITH: Thank you very much, but I guess, if I can follow-up. It has been done over a period of time, but do you have some insights into why alternative supplier countries, and we've mentioned Malaysia or Mexico, have not made that effort as well?

And are there barriers or is there an explanation as to why that supply chain infrastructure has not been built or doesn't exist in those other countries?

MR. BRENNAN: Ms. Smith, I don't personally have an expertise in that area, and there may be others here who do. But I do believe one word might drive the explanation, which is scale.

Other countries just don't have it, China has built it through the decades and they've got it in a way that's unique at this point. That's my understanding.

And we'd be glad to supplement that answer with additional information in our subsequent written comments.

MS. M. SMITH: Thanks very much.

MR. BRENNAN: You bet.

CHAIR BUSIS: Okay, Ms. Bonner?

MS. BONNER: Mr. Estill, at some point, the U.S. must have manufactured small refrigerators and air conditioners competitively. Could you please share with the Committee what has changed?

MR. ESTILL: Sure. I mean, supply chain always goes to the lowest cost and what happened is, manufacturing went to the lowest cost and then, where it was had the critical mass. Then, they got better and better and better and built the infrastructure around that.

The reason we want to not pay a tariff on the smaller of the large appliances, is it allows us to manufacture the large appliances so we can be full line.

To go and say, oh, here, we'll only sell you this size and this size, but as soon as you want a smaller one, we can't sell that, because you can't economically make those in the United States, it would take years. It would take a decade or more.

Because, partly, similar to the BISSELL situation, I mean, the number of molds, the number of dies, just for a very simple bar fridge, the number of parts, there's so many parts, when we -- we have introduced and done -- one simple product costs us a few million dollars.

We can only do two or three products a year. We're only a $400 million company. There isn't companies that can do this. This would take more than a decade, if you're going to try to bring it back to the United States. It would take more than a decade to move it to other places.

To answer your question on some of the logistics, Mexico hasn't got their shipping greased yet. You can ship cheaper from China than you can ship from Mexico, even though geographically they're right across the border.

They just haven't greased it like China has greased the logistics. So, we'd have a decade to bring it here.

MS. PETTIS: This is a question for Mr. Sparrow. You've testified that with respect to portable stoves, only high-end niche stoves are produced in the United States and there are very few imports from third-countries.

Why does China account for such a large share of the imports? And while domestic producers may currently focus on high-end niche stoves, don't they have the ability to produce portable stoves that you're currently importing from China?

MR. SPARROW: I can speak to that. Where -- right now, everybody makes it in China, because that's where the infrastructure is to make those things affordable.

Right now, you look at your cost of your average portable stove and you look at your cost of your average grill, those price points would more than triple if you were to make them in the U.S.

It's not just a small percentage, it's an enormous percentage difference if they were to be made in the U.S.

As others have spoke here, China has great infrastructure, they've embraced that infrastructure over the last 20 years, and have made it so they can make things of steel very efficiently.

CHAIR BUSIS: Ms. Zuckerman?

MS. ZUCKERMAN: This question is for Mr. Aquino. You stated in your testimony that the majority of your products in general are produced by third-parties in China.

When it comes to vacuum cleaners in particular, are all the vacuum cleaners you sell produced in China and have you ever used manufacturers in third-countries to produce your products, particularly vacuums?

MR. AQUINO: Thanks for the question. Yes, all of our vacuums are produced in China. And I think the -- we have not produced in other locations.

I think somebody naturally coming into the supply chain of an organization like

SharkNinja, you kind of automatically say, well, where else can you produce this?, just naturally, for the cost and complexity, whether it's Mexico or other countries.

Ultimately, the partnership that has evolved over years and the amount of innovation and quality and infrastructure that's in place makes it really natural for any kind of innovative product to be produced in a country with critical mass.

So, I think that's one thing that's been highlighted here, is that the factories and partners that we work with are truly partners that are working with us to execute.

And so, it makes it very disadvantaged to try to introduce that into a new country. So, thank you for the question.

MR. WINELAND: And my question is for Mr. Kyle. In your testimony, you referenced your advanced manufacturing facility in Denison, Texas, and the fact that you source raw materials here in the U.S., fabricate them at that facility, and then, ship them off to China for further processing and incorporation into the final products.

Is this sort of -- two questions. Is this a model that's followed by others in your industry? And secondly, how difficult would it be to omit that last step and finalize production here in the U.S. of those sorts of products?

MR. KYLE: Sure. Particularly because you've asked me about other companies and I'm not with Spectrum Brands, but representing them, let me be sure that in our written submission, I respond to that and make sure I elaborate on that. I'm not exactly sure what other companies do.

With regard to Spectrum Brands, I know they believe that this is the most efficient way to do it and I think it would be very difficult, if not impossible, to do it, to move the production all to the United States, just to be competitive in the way that they need to be.

So, I think that would be very hard,

but I will elaborate on that in the written submission. I'll talk to the company.

CHAIR BUSIS: The follow-up for all five of the witnesses who just testified, the question is, how much, if you could estimate, and I think this will probably be for a written response, what is your estimate of the U.S. content of the goods that you have manufactured in China?

For example, Mr. Kyle, for Kwikset had 22 percent U.S. content, but that's with components. So, even if there are no U.S. components, maybe you have an estimate of the value of the U.S. IP or design work that goes into a product.

So, that would be interesting for, if you could let us know in your written submissions.

MR. SULBY: My question is for Mr. Procton from Endura. You testified that imposing the tariffs would help address the circumvention issue that you are facing.

Could you please elaborate on how the higher tariffs would help with circumvention? It would seem like it would incentivize circumvention to try and get around the higher duties.

MR. PROCTON: Well, we manufacture everything domestically. So, our basis is based upon our raw materials, our labor going into things.

If we're buying our aluminum domestically, which is a large portion of our material content, we are paying prices to our extruders, which are affected by the tariffs that went into effect on aluminum.

So, I'm paying on the Midwest Average, plus a conversion, which is higher than competitors who are importing product made in China, where they're not paying on the Midwest Average, they're paying on the London Metal Exchange, don't have the conversion, don't have the tariffs.

So, if we were to put these tariffs on

the product coming in from China, we'd merely be somewhat leveling the playing field. I can't compete right now, if I'm paying more for essentially something which is the exact same thing, as far as extruded aluminum.

MR. SULBY: Maybe I could clarify my question a little. In your testimony, you talk about in the status quo, there's this problem of Chinese goods circumventing existing AD/CVD duties.

MR. PROCTON: Right.

MR. SULBY: And you testified that imposing or this proposed tariff would help with that issue of circumvention. So, wouldn't it just incentivize circumvention, by having a higher overall duty, is the question?

MR. PROCTON: I think it would provide almost a backstop against the incentive to circumvent.

It would address the issue at its root, as opposed to the countervailing duties and anti-dumping duties, which really rely upon a lot of inspection to ensure that they're putting up the cash deposits required, to ensure that the HTC codes are being put down properly.

It really streamlines the process, to dissuade -- it somewhat makes it much simpler.

MR. MULLIS: Good afternoon. My name is Eric Mullis. I'm with the United States Department of Agriculture. My question is for Mr. Jones with GE Appliances.

In your testimony, you mentioned how a lot of your manufacture of these parts moved away from the U.S. to China and that you don't see them ever coming back to the United States. But could you elaborate on whether -- but you also mentioned other countries who are starting to pick up manufacturing of these parts.

Could you elaborate on where they're at in being able to produce these parts for you? And also, what kind of barriers would you face in shifting your supply chain to these other countries?

MR. JONES: When you say, where they're

at, you mean where these other suppliers are located, other countries?

MR. MULLIS: No, where they're at in being able to produce to the quantities and quality that you need.

MR. JONES: I see. Well, first, I think it's helpful to clarify that the suppliers involved tend to be rather large companies, global suppliers themselves.

So, they have facilities in multiple countries. I mean, I know that particular suppliers, for example, have facilities both in China, in Mexico, and are now developing them in Thailand and/or Vietnam.

So, it's not a question of somebody in, let's say, Thailand deciding they want to get in this business, it's somebody who's already in the business now deciding to locate facilities in those places.

And so, they are already at a point of significant development, in terms of technology, capital and sort of know-how in how to produce these kind of components. So, that's the first thing that I think you have to understand.

And then, second, in terms of returning to the United States, I think it gets back to the question of, why did they leave to begin with?

And that had to do with the issue of cost and also, what was the scope of their ability to supply what was then becoming a very increasingly large global market?

So, if U.S. were, and it was not at the time, if it had been, let's say, at the center of the production of these components for the world's production of the products in which these components were to be used, maybe it could have had a different life.

But indeed, it was focused on the U.S. and other locations developed a market for the rest of the globe and, eventually, began sourcing the United States.

So, the products we're talking about, after all, are global products. They may be different configurations, one country to another, but refrigeration, a refrigerator refrigerates.

So, the components to do that are global in nature and a producer who's prepared to support a global production is going to be in a better position to do so.

MR. MULLIS: Thank you.

MR. CONCEICAO: Ms. Robbins, the products you talked about today are largely, you said, single-use, inexpensive, seasonal items.

So, what I wanted to ask was, is there a basis for -- or what is the basis for the belief or expectation that the potential imposition of additional duties will substantially impact consumer purchases of products of that nature?

MS. ROBBINS: Sure, I'm happy to be included in this panel with these crazy products. And I can address it more in a post-hearing submission comments, because we have done several attitude and usage studies of brand retail price points.

A lot of it is retailer-driven, all the major retailers carry it and they have specific price points. So, if we go beyond the threshold, they may be unwilling to actually carry the products anymore.

Obviously, these are very low retail. As well as the consumers price -- in our attitude and usage studies, the purchase price intent drops substantially as the price increases.

When you think about 25 percent on a dollar, that's a quarter, but in the grand scheme of the research we've done, it's pretty impactful.

MR. CONCEICAO: Sounds fair, if you can provide that with the written submission, I think that would be excellent.

CHAIR BUSIS: Mr. Burch, you can call the next panel, please.

MR. BURCH: All right. Mr. Chairman, we release this panel with our thanks. Would Panel 21 come forward to be seated? And would Panel 22 come in the witness holding area?

MR. BISHOP: Would the room please come to order? Mr. Chairman, our first witness on this panel is Jordan Haas of The Internet Association. Mr. Haas, you have five minutes.

MR. HAAS: Thank you for the opportunity to testify today. The Internet Association represents over 40 of the world's leading internet companies. These companies are significant drivers of the U.S. economy and the U.S. exports.

Our industry represents an estimated six percent of U.S. GDP, totally nearly $967 billion and accounting for nearly three million American jobs.

In China, many U.S. internet companies are either blocked from operating or are severely restricted. China's ongoing intellectual property right violations, forced technology transfer policies, and state interventions harm U.S. companies, workers, and consumers.

While we have serious concerns about China's trade practices and support the U.S.

Government's efforts to address them, the imposition of new tariffs will harm U.S. consumers, cost U.S. jobs, and undermine U.S. companies in the fight for global leadership in the digital economy, without solving the issue of China.

Today, I'm going to highlight two tariff lines that directly impact how the internet is able to function. We request for the removal of subheading 8517.62.00 from the proposed product list.

This is the keystone tariff line for internet connectivity, as the products covered by this tariff enable devices and other machines to connect with one another.

Increased tariffs on this line would put a significant drag on U.S. companies manufacturing connected devices in the United States. It would also put a tax on U.S. consumers seeking to connect to the internet or to use internet-enabled technologies.

For the thousands of servers and data

centers to connect to each other, and for data centers to connect with the outside world, U.S. companies need to use optical transceivers, line cards, gateways, modems, routers, and other transmission devices that enable this connectivity.

On the consumer side, the proposed duties would apply to a massive range of internet-connected consumer devices, largely developed here in the United States.

With the inclusion of this tariff, consumers and small businesses will see a direct increase in the cost associated with using the internet.

Virtually all of the internet-connected products that consumers use to manage tasks, play video games, monitor their health, including streaming devices, e-readers, smart speakers, wireless headphones, smart watches, home security cameras, and fitness trackers will be hit with an increased cost if these tariffs are imposed.

Secondly, we request for the removal of subheading 8473.30.11 from the proposed list. Products classified in this subheading include most of the core inputs in data centers and other U.S. technical infrastructure.

These products are present in all computers, servers, and phones, as well as almost all electronic devices. Components covered by this tariff line are not key to China's Made in China 2025 strategy.

Imposing duties on these products would undermine U.S. leadership in cloud services.

Commercial enterprises, startups, universities, and a wide range of other institutions across the globe are actively migrating to cloud computing to meet their information technology needs and they are turning to U.S. cloud service providers in the process.

But companies from China and other countries are poised to take over this market from the United States. Tariffs that hit cloud service providers will undermine U.S. leadership in this area and will allow foreign competitors to become the leaders in this marketplace.

Data centers are key employers for high-skilled workers in the U.S. The average data center adds $32.5 million in economic activity to each community.

During the construction, each data center adds nearly $10 million in revenue for state and local governments, while employing an average of 1,688 workers.

The impact of these tariffs will extend beyond the tech sector. Future U.S. economic growth in nearly every sector relies on the internet.

Forcing internet companies to reconfigure their supply chains and stop sourcing from China will result in severe economic harm to U.S. providers and jeopardize U.S. leadership in the market.

In addition to the detailed tariffs that I just mentioned, we have a longer list in our official filing and I'm happy to answer any questions. Thank you.

MR. BISHOP: Thank you Mr. Haas. Our next witness is Jason Kuhn with Nautilus Hyosung America, Incorporated.

Mr. Kuhn, you have five minutes.

MR. KUHN: Good afternoon. Thank you for making time to listen to all of us here today. My name is Jason Kuhn. I am Vice President of Product Marketing and Planning at Nautilus Hyosung America.

And I'm here today because levying taxes on ATMs and their replacement parts punishes Americans and hinders American commerce.

Hyosung America makes a range of ATMs, including the types you have likely used at your bank to withdraw money, make deposits, transfer funds, and perhaps pay bills.

The ATMs most affected by the 301 proceedings are the freestanding models that you encounter in convenience stores, gas stations, hotel lobbies, et cetera.

Many of our clients are what you know as SMEs, small and medium sized enterprises, who buy and lease these ATMs to help serve their own customers, facilitate cash flow, and generally create a revenue stream that may not otherwise exist at all.

Our business model for supplying these retail ATMs includes manufacturing and production steps that occur both overseas and in the United States. I know our products as well as anyone does.

I know why customers buy them. And I know why they use them. That's my job. And from my vantage point, I'm here to tell you that levying a tax on ATMs is undesirable for three big reasons.

First, the tax would fall disproportionately on SMEs. Second, production of these machines is not a candidate for on shoring. And third, the technology contained in these machines is not implicated in China's industrial policies.

As I mentioned previously, our clients are SMEs. And we're proud to serve the so-called mom and pop establishments ranging from restaurants to convenience stores, auto service and fuel outlets, home improvement centers, grocery stores, and bakeries.

Essentially, every type of business that you can imagine on any main street or strip mall in America. Raising the cost of ATMs by 10 to 25 percent could very easily price many of these already low margin businesses out of markets that facilitate and in many cases, generate cash flow and revenue streams that would otherwise dry up.

As we witnessed in other context, what is essentially a tax on small transactions, would be another nail in the coffin of the great American tradition of the family owned small business.

It is imaginable that new U.S. tariffs could chase some ATM production out of China. But that production is not going to wind up in the United States.

It's important to understand how production ended up in China in the first place. This sector was not lured by a concerted effort on the part of the Chinese government.

In fact, production moved to China in a direct response to the regulatory mandates that shift cards and machines in the U.S. to what's known as EMV, the chip and pin cards that you have today.

If you think it was a hassle to make that change as a cardholder, imagine what the industry had to go through. Some 280 thousand plus retail ATMs had to be upgraded. And of those, close to 70 thousand ATMs needed to be completely replaced.

This process is still in process as we sit here and talk today. As you can imagine, this was an enormously costly undertaking, running into the hundreds of millions for the sector as a whole.

In order to prevent the overall

footprint of retail machines and indeed, America's access to cash from shrinking, we were forced to crunch down hard on costs.

To put it a different way, China did not become the global supplier of these machines by beating out other countries in a head to head price competition. Industry-wide in order to modernize the outdated machines and have any hope of expanding further into under-served communities, costs had to be dragged down as low as possible.

In these circumstances, even if the tariffs were successfully incentivized ATM manufacturers to locate production to other third countries, it is almost certain they would not relocate to the United States.

Furthermore, in terms of industrial policy and lost headcount, the Chinese government would not even notice. As your import statistics will show, this HTS category does not contribute heavily to the trade coverage you're seeking to achieve.

Regarding intellectual property in these machines, innovation and security is handled in the destination market where regulatory -- or for regulatory and marketing reasons.

So, for our machines the software is developed and installed in Dayton, Ohio and Irving, Texas. So by including ATMs in the tariff package, you would be causing a lot of harm domestically without measurably increasing the leverage over China.

And you would be hitting a category of goods that do not benefit in any way from the Chinese acts, policies, and practices documented in your Section 301 report. In fact, the only one who would be paying the price for leaving ATMs in the package, would be small businesses and consumers here in the United States.

I appreciate the time. And I look forward to your questions. Thank you.

MR. BISHOP: Thank you Mr. Kuhn. Our next witness is John J. Leehy, III with the ATM

Industry Association.

Mr. Leehy, you have five minutes.

MR. LEEHY: Thank you. Good afternoon, my name is John Leehy. I'm President of ATMIA. Which is the automated teller machine industry association.

It's the largest ATM trade association in the world, having more than ten thousand members in 65 countries. Here in the United States we have over a thousand members, representing 350 ATM businesses.

I'm also the former Chairman and CEO of Payment Alliance International, the largest privately held ATM deployer in America.

I have been in the payments industry for over three and a half decades. And have served for more than a quarter of a century in the role of CEO.

Over that time, I have developed an appreciation for the impact that public policy can have on the payments' industry. How those policies can strengthen our ability to serve our markets, or create new, unintended barriers to delivering the convenient cash access that Americans have come to depend on.

I'm here before you today on behalf of a strongly united U.S. ATM industry to request that you please remove ATMs from List Three.

Equally troubling are the new tariffs already in force on ATM parts and components. At this point, we hope that you will choose to handle that critical issue through the exclusion process.

Punitive tariffs on ATMs themselves would bring meaningful harm to an important U.S. industry. And would produce negative consequences for retail commerce in general.

It might be helpful bringing further clarity to the machines that List Three include and would propose to tax. These are predominantly machines that we refer to as retail or offsite ATMs.

They're designed to be smaller, more affordable machines. Thereby enabling placement in locations that have substantially less traffic and are frequently found in areas where access to banks and credit unions are limited.

The price points have been aggressively pushed downward as compared to the larger machines you may be more familiar with and find in bank lobbies. And making the economics work for placing them in lower volume locations.

The hundreds of independent businesses who compete to serve this market are truly great examples of free market warriors. And they are the absolute picture of American capitalism at its very best.

These are folks who are small businesses that wake up every day, and they fight to build their business by bringing value to those that they serve.

There are few, if any, more competitive businesses than today's retail ATM business in America. Which should make this message of a unified industry all the more compelling.

The consumers they serve often find themselves excluded from financial products and services that many of us take for granted. And mistakenly assume are ubiquitously available to everyone.

In fact, these machines are critical to the distribution of local, state, and federal EBT and assistance programs. Tax refunds, veterans' benefits, and even FEMA recovery efforts.

Our businesses and the communities and populations they serve will be harmed by diminished access to funds if the economic balance is altered by debilitating increases in the cost to serve these markets.

I struggle to imagine that our government is taking steps to make it harder to administer government programs for no conceivable benefit. And contributing to the creation of under-served pockets, even cash deserts within some of our communities.

Two final observations I'd like to

leave with you. The first pertains specifically to jobs. Unlike some other types of traded products which, you know, may become -- may come before this Committee, ATMs have an unusual post-deployment multiplier effect on jobs.

More plainly stated, once placed into service, ATMs generate many more jobs then were required to produce the machine originally. They must be regularly loaded, maintained for service, and frequently upgraded.

The second point is that no one else before you, in these hearings, has cash as a core product. We believe that an exclusion here would be a very narrow exclusion and scope. And yet have an extremely positive impact on the entire economy.

Attacks on ATMs is in fact a tax on retail commerce. It's hard to imagine that the imperative of U.S. trade diplomacy, which we all understand as we appear before you, and recognize.

But it's hard to imagine that they

would require that you'd take such an intrusive and potentially damaging step.

Thank you for your time. And I look forward to your questions.

MR. BISHOP: Thank you Mr. Leehy. Our next witness is Jeff Matthews with Grant Victor.

Mr. Matthews, you have five minutes.

MR. MATTHEWS: Good afternoon members of the Committee. Excuse me. My name is Jeff Matthews. I'm CEO of Grant Victor.

Our organization is a Utah-based large national ATM deployer. And we are also one of the largest distributors of ATM equipment in America.

Through our direct placement business and the business of over two thousand of our customers and operators, one out of every four of the ATMs we are discussing today, was distributed through one of our businesses.

I feel a real business imperative and personal responsibility for creating this import cash utility across the country. My colleagues on this panel have laid things out very well. And I'm grateful for this opportunity to add my voice.

On behalf of my company, its employees and our customers, I urge you to reconsider the proposal -- the proposed tariffs on ATMs.

Hitting ATMs means taxing the way ordinary people in America pay for goods and services they depend on daily. It would treat those Americans unfairly and would put a damper on the retail commerce engine that drives our economy.

We at Grant Victor and its subsidiaries work daily with customers and end users. We place machines. We support the business establishments who have deployed the ATMS.

And we perform service and repair throughout the industry. In doing so, we like to think that we know more about how Americans receive and use their cash than the average person.

Uncle Sam might print the money, but we work day and night to get it into the people's hands that use the money.

What happens when you raise taxes on ATMs? One outcome is that the under-served get even less service.

Let me unravel that for you. Although there are two machines in the lobby of the hotel where I stayed last night, and many seen in big cities, the business model for most retail ATMs began when banks decided that they could no longer service all markets.

In fact Grant Victor, as a company, began 18 years ago when my family, responding to an increased need by customers, asked a bank in our market to put ATMs in two convenience stores that we owned.

Banks in the area quickly refused, saying that it was not profitable for them to do so. Retail ATMs today are most often found where banks are absent but commerce still needs to occur.

If you think about where these conditions prevail, it should be apparent that what we mean when we say under-served. Those under-served populations exist in American inner cities, rural areas, people who are for whatever reason, temporarily separated from their usual financial support network.

Perhaps it's easy to find oneself thinking of ATMs strictly in terms of convenience, but for many Americans the cash economy is much more than that. It is among our most healthy public utilities.

Let's try to put a face on some of those Americans who would be affected. Bob Hammon and his wife Carol live in Idaho Falls, Idaho.

He and his family, two sons and three daughters have created a business that services not only those parts of Idaho, but more importantly, the western and central part of the State of Wyoming.

As you probably know, there's no State

in the Union that suffers from population and ATM density than does the State of Wyoming.  A good example is the small town of Daniel.

It has a base of 150 residences during the winter. And then booms to hundreds of thousands of tourists that are making their way to Jackson Hole and other nearby national parks.

They operate on slim margins. Especially during those cold winter months when their machines only do a few transactions each day.

But they have become an important part of the cash supply in that remote area of the country.  No bank is willing to make an investment in Daniel, Wyoming.  But the Hammon family did.

An increase in equipment pricing is most certainly going to put those citizens of that little town of Daniel at risk of not having these services anymore.

Deb Fritz is the senior accountant for Yellowstone National Park Lodges.  Ten years ago she was tasked with finding a way to offer cash to the tourists visiting Yellowstone in a safe and secure way.

She approached many banks, including their long time commercial account holder, First Interstate, in hopes that they could help. Even for a fee, the bank's board responded that they were unable to offer the equipment or supply cash.

Deb Googled and found ATMequipment.com, one of our businesses. And within 48 hours, she had a few machines onsite. And had started an ATM business for the lodge.

She still drives a hundred miles round trip to get cash to fill those machines. But she can now service the four million customers that visit those parks each year.

Google maps will reveal that banks don't sit at the end of every block. Retail ATMs make up the difference.

Studies show that many of these ATM consumers visit an ATM a few times each month.

Imagine the reaction of those families upon learning that the Administration plans to levy a new tax and restrict their access to cash. This can't be what you intend.

Will China bear the brunt? Not to any meaningful degree as my fellow witnesses have explained.

Thank you for your time.

MR. BISHOP: Thank you Mr. Matthews. Our next witness is Bruce Renard with the National ATM Council, Incorporated.

Mr. Renard, you have five minutes.

MR. RENARD: Thank you. Thank you Mr. Chairman and esteemed panel. We greatly appreciate your holding this hearing today for us.

My name is Bruce Wayne Renard.

(Audio interference)

MR. RENARD: Testing one, two, three. Okay. Thank you. I can start from here, thank you.

Once again, my name is Bruce Renard.

I'm the Executive Director for the National ATM Council. We're based in Jacksonville, Florida. And we represent companies throughout the United States.

NAC is a 501(c)(6) not for profit trade association formed seven years ago to represent the independent ATM providers in our nation.

Our members number over three hundred companies. And they speak for thousands of other companies, affiliates that operate underneath them, providing hundreds of thousands of ATMs throughout the country.

Some of our members have one to five ATMs. One of our members has over a hundred thousand ATMs. We have members with everything in between.

Our members serve citizens in small rural communities, heavy populated inner cities, and every community in between. Our Board of Directors is made up of 15 members, 14 of which are all SMEs.

We have one public company in the industry. I'm very grateful to my fellow presenters here today for what they've already conveyed to you.

Allow me please to add two primary points to what they've already presented. One, why China is present in our industry supply chain at all.

And two, why we are unlikely to see any significant on shoring of the manufacture of retail ATMs based on the contemplated action here.

So, China's emergence as a place to manufacture ATMs in the U.S. reflects the imperative that our industry faced to reduce costs of machine assembly.

Why was this cost cutting necessary? For one thing, a string of costly and challenging governmental and network requirements over recent years, including the first time ever application of ADA requirements to our industry, and a series of security related requirements that were placed on our industry.

All of this together have placed great financial pressure on this segment. This cost crunch culminated recently with the EMV chip card implementation that was referenced earlier for you.

This cost of chip card upgrades was in the hundreds of millions of dollars. It's still under way. We're still struggling with it today.

Without lowering the cost of our equipment and the manufacturing, we would have seen large, large, numbers of ATMs come out of service in this country. So we were really forced to find an alternative any way we could to reduce costs for the equipment.

Being able to continue to expand our presence into marginal and unserved areas, also depended critically on these cost reductions. So we've done everything we can to keep these costs down despite the challenge of EMV.

Why is on shoring unlikely to happen based on these tariffs? The keys here are technology and capital formation as you might expect.

ATM technology is evolving very rapidly. The machines and the installed base are, you know, subject to upgraded software periodically until they just can no longer handle the new features.

Machines and the installed base today are 470 thousand ATMs in America. Out of which approximately 280 thousand are the retail machines that we're speaking of today. So more than half the ATMs are impacted in this group.

There's no sense in the marketplace at all that machine assembly for this equipment will ever become a highly profitable activity. Certainly that's not the case now.

And organizing the capital needed to launch this type of development is hard to imagine coming about in America.

One brief comment on the impacts on the population of these contemplated increases. A study was documented earlier this year showing that the ATMs we're speaking of, serve the lower areas of population density.

Lower, medium, and average income, lower labor force participation, higher unemployment areas, lower education areas. These are the areas we're serving. And these are the areas that often depend on cash for their everyday activities.

We would ask you in this case to please reconsider the proposed increases here. This in our view will only serve to harm the most vulnerable populations in America.

And it will really produce no off setting benefits to Americans or the U.S. economy. I appreciate the Panel's attention.

And I'm happy to answer your questions. Thank you.

MR. BISHOP: Thank you Mr. Renard. Our next witness is Michael Roach with Alton Industries, Limited.

Mr. Roach, you have five minutes.

MR. ROACH: Thank you and good

afternoon. My name is Michael Roach, General --

MR. BISHOP: Pull your mic a little closer for me, please.

MR. ROACH: Sure. Is that better? Okay.

My name is Michael Roach, General Manager and Executive Vice President of Alton Industry. On behalf of Alton and our ownership, we are officially requesting an exemption on our products from the recent round of 200 billion dollar tariff proposals.

These tariffs will hurt our business, our customers, and the end consumer that purchases our products every day at thousands of stores and shops across the country.

Our products are used by both construction professionals that need our goods to perform work at construction and building sites, along with the average homeowner and consumer.

The proposed 25 percent tariffs on air compressors and vacuums as listed on the schedule, will do nothing but increase the costs on a product category that is very competitive and affordable to U.S. consumers right now based upon global competition.

The tariffs will do nothing but raise the prices of the products to the consumer. In turn, this will negatively impact our business and increase our costs as major customers are requesting us to subsidize the 25 percent in order to keep retail pricing where it is today, to ensure their sales volume does not shrink.

We deal in a low margin commoditized category that cannot sustain this burden. Alton is a small, U.S. based family business that has been operating out of our facility in Batavia, Illinois since 1998.

We source products from China in order to remain competitive in our business and provide low cost, high quality goods that are not available here domestically in the U.S.

We are intent on expending our facility here in the U.S. And are building a new 150 thousand square foot warehouse and facility in 2019 in order to accommodate our growth.

This new facility will allow us to assemble our products domestically. But still have to source major components from China that are subject to this tariff.

If these tariffs are implemented on our business, we will have to reevaluate this investment and bringing more jobs back to the USA.

We invest in USA with research, design, and technology. And have secured our own intellectual property on our products. We do agree going after copy and counterfeiters, and we do this vigorously here in the U.S.

We understand that the trade imbalance between America and China may have some negative impact on the American economy. But for these specific items, there are no alternatives outside of China that can provide affordable, high quality products for the U.S. customer.

The supply base which we need to build these products affordably, does not exist here in the U.S. The ability to manufacture our items from scratch would take years of supplier development and investment.

This will not happen in 30 days. The jobs did not leave the U.S. overnight. And we cannot expect them to return in a matter of weeks.

We respectfully ask to be excluded from this round of tariffs in order to continue our growth and investment in the U.S. And supply American consumers and businesses with high quality affordable products from an American company.

Thank you.

MR. BISHOP: Thank you Mr. Roach. Our next witness is John Stemen with Inmotion.

Mr. Stemen, you have five minutes.

MR. STEMEN: Thank you. Good afternoon Chair and members of the Section 301 Committee and co-presenters today. I do use ATM machines by the way.

Yep. My comments today are in

opposition to additional duties for 8501.61, 8505.11, and 8537.10.91.

My name is John Stemen. I am the General Manager of Inmotion U.S. I'm proud to represent one hundred employees in Blacksburg, Virginia where we conduct approximately 60 million dollars' worth of business annually.

I'm here to discuss my concerns with certain items on the proposed tariff list. And how their inclusion will harm my business.

Inmotion is a supplier of motors and other industrial power solutions to U.S. original equipment manufacturers of material handling equipment. As well as OEMs of equipment in construction, agricultural, and transportation industries.

Inmotion designs, manufactures, and sells items such as AC generators, not exceeding an output of 75 KVA, which fall under subheading 8501.61.

We also import associated parts such as rare earth known as neodymium, better known as neo magnets of 8505.11, which are a key component of our generators that we sell.

Inmotion additionally designs and contracts manufacturing for a variety of distribution boards under subheading 8537.10.91, which our employees in the U.S. integrate into controllers.

We seek the removal of these items from the list of additional tariffs. Inmotion makes products in China, Sweden, and the United States.

Like many suppliers, Inmotion depends on a global supply chain to remain competitive. And like many businesses, our margins cannot accommodate a 10 to 25 percent increase in the cost of goods.

For a number of reasons, an additional duty on these products would be a cost that we cannot easily mitigate through alternative sources.

Specifically, our sole supplier for AC generators is Inmotion TZM, located in China. A wholly foreign owned enterprise producing generators that are designed and controlled by Inmotion U.S.

Inmotion facilities in the U.S. and Sweden lack the capacity or capability for this scale of production required. Our customers rely on quality of the products we offer.

And validating quality assurance measures for alternative sources of distribution boards places additional burden on those U.S. businesses as well as Inmotion.

For all of the generators we sell, they are manufactured with rare earth elements previously mentioned. It is estimated that around 90 percent of global rare earth mining occurs in China. Which commands a near monopoly on rare earth magnets.

Alternative sources where they are found, are not viable options for the volume of business that Inmotion conducts. And this newest proposed action is unlikely to have any positive impact on domestic manufacturing of those generators.

While I support the Committee's goal of responding to intellectual property theft by China, these generators, magnets, and distribution boards are generally associated with forklifts and similar grade technologies that do not represent any sort of advanced manufacturing capability or any technology targeted by China as strategically important.

The imposition of additional duty however, would target my business by impacting over 40 million of annual sales. Our long term supply agreements with customers attempt to keep prices predictable.

And an additional tariff would immediately be borne by Inmotion to the jeopardy of U.S. employment as our workforce is proportional to our sales.

In short, Inmotion would be severely harmed by additional duty on these items. A problem to which I see no viable business recourse. And their inclusion on this tariff list would likely have little impact on China.

Thank you for considering my comments on this important matter. And I hope to work with you to ensure American employees are not harmed by this proposed action. Thank you.

MR. BISHOP: Thank you Mr. Stemen. Our final witness on this panel is Kathlene Swanson with the Telecommunications Industry Association.

Ms. Swanson, you have five minutes.

MS. SWANSON: Hi. I'm Casey Swanson with the Telecom Industry Association, TIA. Thank you for the opportunity to testify today.

We represent approximately 250 manufacturers and suppliers of communications networks in the United States and around the world.

I'd like to discuss today why imposing tariffs on telecom goods will have a negative impact on the U.S. economy and strategic competitiveness.

And most of my comments will focus on

products classified under HTS heading 8517, especially 8517.62.

First, the proposed tariffs target equipment that is essential for transformative technology such as 5G. And by the way, 5G enables other network-based innovations like the internet of things and artificial intelligence.

The bottom line is all these highly advanced technologies run on hardware. So taxing the network equipment used to deliver them would handicap America amid a global race for technology leadership.

Take 5G as an example. 5G is viewed as an evolutionary jump forward for the telecom industry. Allowing far more data to be transferred at faster speeds.

A new generation of mobile technology only comes along once every decade or so. And the United States, China, and a few other countries are now jostling to be first in rolling out 5G.

The U.S. has led the world in the

current generation of technology, 4G, and reaps very substantial benefits. By one estimate, winning the 4G race boosted America's GDP by nearly 100 billion.

And spurred an 84 percent increase in wireless related jobs. It also gave rise to an entirely new app economy.

However, America faces fierce competition in 5G. China has to date far outpaced the United States in its build-out of wireless sites, outspending the U.S. by an estimated eight to ten billion a year since 2015.

Consider that 5G network equipment is expected to begin shipping next year in 2019. If the U.S. Government proceeds with imposing tariffs on products used in 5G networks, the resulting cost increases may artificially depress demand, especially among more budget conscious American consumers.

Higher price tags may prompt smaller companies or schools or government agencies, for example to consider delaying upgrades or making smaller investments.

Such a result would only serve to strengthen China's hand in the technology sphere. And bolster its lead in the 5G race. An outcome clearly at odds with the original goals of the Section 301 investigation.

Second, tariffs will impede efforts to narrow the digital divide in the U.S. And will hurt consumers by making it more expensive to build broadband internet networks.

The proposed tariffs would hike the costs of core network equipment that is essential to the operation of the internet. This is likely to impede efforts to narrow the digital divide.

According to the FCC, over 24 million Americans still lack fixed terrestrial broadband. A challenge that makes it harder to access good jobs, healthcare, and education.

The gap disproportionately affects those living outside cities. Around 30 percent of those in rural areas and 35 percent of citizens in tribal lands, don't have broadband access.

More broadly, tariffs are likely to impact the many American consumers and companies that rely on the internet for everyday work and life activities, as they may now see the cost of that access increase.

The tariffs would hit a range of products that play central, behind the scenes roles in powering telecom networks. To illustrate how wide ranging that impact would be, consider just one example.

What happens when you send an email through your smartphone? Where this process begins at the edge of the network, the radio in your smartphone first connects to radios in a cell tower.

And in turn digital base band units. Or if you're connecting via Wi-Fi, to a wireless access point.

So according to the third Section 301 tariff list, those radios, digital base band units, and wireless access points have all been tagged for duties.

Data is then routed to the core network by gateways, which are on the latest tariff list. The information is directed around the internet by routers, which are included on the most recent tariff list.

Your email would typically be stored in the cloud until it's needed. Which in physical terms means it's sent to a data center.

Data centers run on servers that are once again on the tariff list. Finally, most or all the devices I just mentioned include transceivers, optical transmitters, and network interface cards and modules. These too are all featured on the tariff list.

I'll stop there. But the point I want to leave you with is, the proposed tariffs of up to 25 percent will hit a significant portion of the ICT products fundamental to the functioning of broadband internet.

To conclude, tariffs on network equipment stand to hinder the U.S. expansion of high speed internet and next generation network technologies.

In doing so, they'll damage our technological and economic competitiveness relative to other countries. And hurt our economy.

For these reasons, we urge the Administration to refrain from imposing Section 301 duties on telecom products.

MR. BISHOP: Thank you Ms. Swanson. Mr. Chairman, that concludes direct testimony from this panel.

MS. M. SMITH: Thank you very much. Once again, I'm Maureen Smith from the Department of Commerce, the International Trade Administration.

And if I may, Mr. Haas, may I direct my question to you this afternoon. Could you please explain why the products covered in your testimony cannot be manufactured in the United States or in third countries?

MR. HAAS: Yeah. I'm happy to. Thank

you for the question. There is not significant production taking place in the United States.

U.S. government data indicates that about 68 percent of all of A473.30.11 imports come directly from China, with few other low costs regions in Asia making up the majority of what's left.

There's just not the production taking place here. And to be able to ramp up production just doesn't make sense.

Additionally, U.S. providers have worked with specific manufacturing partners that have engaged in lengthy processes to build and qualify factories in certain locations. And have chosen specific vendors that can audit and validate the properties of server boards, networking equipment, and other key inputs.

These are not fungible processes. And cannot be shifted to a new location in a short period of time.

CHAIR TSAO: A follow up to that.

MR. HAAS: Of course.

CHAIR TSAO: I understand it can't be shifted in a short period of time. But, if they do have to shift, what's the length of time we're talking about here?

MR. HAAS: I don't have the data on the length of time it would take to stand up the whole network here.

I can try and find that and get back to you on that.

CHAIR TSAO: Not just in the United States, but in third countries too.

MR. HAAS: Yeah. I -- yeah.

CHAIR TSAO: Okay. Thank you. Okay, the next question I think I'm going to direct to all the witnesses who testify about ATM. And that will be Mr. Kuhn, Mr. Leehy, Mr. Matthews and Mr. Renard.

You testified earlier that there are no significant or any manufacturing capacity for ATMs here in the United States. But I think one of you testified that there are some capacities in third countries.

So my question, my first question is, if -- do you think the 25 percent tariff, additional tariff rate would incentivize producers to shift their production lines to these third countries? And if so, how long would that process take?

And my second question, set of question is, based on your current business model, if the additional duties were to take effect, who would bear the, I guess, what would the proportion of cost bearing with respect to the different players?

Would it be the manufacturer? Would it be the distributors? Or would it be the ultimate end users?

And then I open it up to all of the ATM witnesses.

MR. KUHN: So, this is Jason Kuhn. I'm with Nautilus Hyosung America. And you know, I -- regarding the tariffs and what it would take, you know, to push the manufacturing to third countries, you know, we manufacture in different places around the globe.

And you know, our expansion into China only occurred over the last, you know, several years. And it was simply because of the fact that our business has been growing and we outgrew our primary manufacturing facility in South Korea.

So, it took us a long time to get that secondary facility in China up and running. And I've got to imagine that it would take, you know, about that same amount of time or longer, to tear it down and move it back somewhere else.

You know, we don't -- we don't have two of everything, you know, where we were manufacturing parallel lines out of South Korea and China for a short period of time.

You know, we've now, you know, taken some of that manufacturing capability and turned those lines over to other financial lines.

So, frankly from a business standpoint, you know, we would not want to take any immediate action until we see, you know, how this plays out basically.

Because, you know, the cost associated and the time associated with moving, you know, to another third country is pretty astronomical for the amount of products that we manufacture, you know, in our China facility.

And I'd like to state, you know, that our China facility is, it's our facility. They're our employees. It's our building. It's our parts.

We're making all of this stuff. And it's our intellectual property. So, in no way, shape, or form, did we move there because of the fact that they had technology that we didn't.

You know, we simply needed to expand our manufacturing. And we needed to be able to offer lower costs to a market that was demanding lower costs.

MR. RENARD: I think there's a related point worth making there. Which is for the Panel to understand that the real technology involved with our machines is already in the U.S.

The software, which is the real tech here, and that's the, you know, where the returns are, where the future is, we've got it here now.

Okay? So, all we're talking about is a very lost cost, low attractive, box production abroad. Wherever that may be. But it's pretty clear it's not coming back here.

On your second question, the consumer will ultimately bear these costs. Because what will happen is, the cost of the equipment will go up. And the operators of these machines, you've heard, you know, many small businesses across the country, they have to make it up somewhere.

The only way they can make it up is in their surcharge to the end user. And so ultimately this is going to hurt the consumer in America.

And that's for consumers that still have ATMs available to them. There will be many ATMs that will come out of service. And those folks are going to be the most severely impacted.

MR. LEEHY: Yeah. If I could just

amplify that response. I don't think it's so much a question of absorption.

I think it's really going to come down to exclusion. I think just from the simple economics that will choose to deploy our capital in other ways and in other markets.

And that's unfortunate. But the economics are what they are. So, I don't think that portion of the business with all the transaction activity really can support a higher cost base. It struggles to do so now.

And candidly, I think just from a strategic standpoint, anything that promotes further exclusion or retards the energies that have gone into financial inclusion for certain markets and certain classes of individuals, I think is really a step backward.

But I think that would be our fair -- I think it would redirect and redeploy our capital.

MR. CONCEICAO: All right, good afternoon. My question is for Mr. Roach. Mr.

Roach, you indicated that your company plans to expand its operations next year, or is developing plans to expand your operations next year.

Including constructing a new 150 thousand square foot facility. Which I gather has some manufacturing, or you plan to have some manufacturing capability there.

Would it be at all feasible that at least some of the products, or could some of the products that you list in your submission be produced in a facility of that type?

MR. ROACH: Yeah. Like I mentioned, the core technology, right. And it boils down, and the previous panel really touched upon it, is the motors. Right?

The AC motors or DC motors that we utilize in our products, we just can't find those here in the U.S. They're not made here in the U.S. They haven't been made here in numerous years to the extent of high quality, high performance at low cost.

So, you know, a bulk of the cost of

the product would still be -- have to be imported. Right? And then final assembly or kitting would be done here in the U.S.

And this has been a plan that we've had for about two years now, based upon our flow of the business. Unfortunately what this proposal is in the short term would really negatively impact our ability to do that.

And you know, deployment of capital to do this would probably be put on hold until we see how it all shakes out. Right?

So, when you have these things enter the market, it creates a lot of uncertainty as far as what's going to happen.

So yes, our intention is to bring as much back here. Obviously it reduces our lead times. It gives us a better access to the market, response to the market.

And you know, brings jobs and control here in the U.S. But, it's just time.

MR. CONCEICAO: Okay. And as a follow up, looking at the list of products that you have, are there countries other than China that produce them? And would any of them be viable suppliers in the alternative?

MR. ROACH: Not really, no. There's very little. I mean, you'll see some spots, you know, Brazil.

But it's just not highly efficient the way, you know, a lot of the panels have touched on it is, the supply chain, the infrastructure, the availability of the parts and components that you need to build our products, you know, in our products, three hundred to five hundred different unique parts.

And we can source those all within, you know, a hundred square foot -- a hundred square mile area in Shanghai area. You can't do that in the U.S., right? You can't do that in most countries.

MR. CONCEICAO: Thank you very much.

MS. ZUCKERMAN: This question is for Mr. Stemen. Could Inmotion's U.S. or Sweden facilities be expanded to generate additional scale to meet production needs?

MR. STEMEN: In the U.S.? Okay.

MS. ZUCKERMAN: The U.S. or Sweden. Because you mentioned you have facilities in both.

MR. STEMEN: That's correct. For the -- specifically the generators and the parts that we manufacture in China, this could be done maybe over a ten-year period.

It's a very difficult product. It's a custom product that we design in the U.S. And has evolved over the years.

And while it uses no high technology, it uses high labor content. And that product specifically would take a long time to move.

And in Sweden, we don't have the type of operations that it could be manufactured. The -- one thing that is important that I wanted to bring up, that we have other codes that are affecting us.

And the codes that I brought up, these three, are major effects to us. And we understand and support what the U.S. is doing right now. But it's having a very negative impact on us.

And so manufacturing, back to your questions. We design also very high efficiency motors in the U.S. And we manufacture in the U.S.

So, it's not just manufacturing in China. Even though this is our facility for a specific motor or generator. Motor and generator can be used synonymously.

It does not immediately lend itself to relocation to another one of our facilities.

MR. SULBY: My question is for Ms. Swanson. You testify that the tariff will slow the development of American technological strength.

Could you please explain and elaborate why that will be the case. Wouldn't the tariffs allow U.S. companies and technology to be more competitive with Chinese technology? And increase U.S. technological strength?

MS. SWANSON: Imposing tariffs of up to 25 percent will make products more expensive. So it will make it harder for 5G to be adopted in the U.S., because it's that much more expensive than it would have been otherwise.

Meanwhile, China has designated 5G and artificial intelligence as a strategic priority. And they've outlined state funding mechanisms in their 13th five-year plan and the Made in China 2025 Plan. And also in the artificial intelligence three year development plan.

So while they're allocating funding to build out those sophisticated technologies, the U.S. is considering imposing a tax on the equipment that's used to deliver them.

Which we believe could substantially handicap the U.S. It will slow adoption of those technologies in the U.S.

CHAIR TSAO: This is a follow up. What about the U.S. equipment manufacturers? Wouldn't a tariff help the U.S. equipment manufacturers?

MS. SWANSON: A lot of our companies do very intensive research and development and design in the U.S. And the products are made in China and imported.

Also some of the -- some of the more sophisticated manufacturing does still happen in the U.S. And those products I addressed in an earlier round of tariff comments.

That was in the first round and the second round. That hit a lot of the components that are brought into the U.S. for manufacturing the most sophisticated end equipment like some of the satellite equipment, some of the high end servers.

That stuff's already -- the components that go into that have already been hit by tariffs. So that makes it more expensive to manufacture in the U.S.

That's already happened through earlier tariff lists.

CHAIR TSAO: Another follow up. I mean, if this is a sector deemed to be strategically important by the Chinese Government, I mean, wouldn't the Chinese Government have more incentive to force either our service suppliers or our equipment manufacturers to actually transfer that technology to their suppliers?

I mean, do you see that among your members? Do you hear that complaint among your members?

MS. SWANSON: We've had technology transfer concerns. And we documented those in our 301 comments when the investigation was taking place in the fall of last year.

MR. STEMEN: May I further answer the question that I was asked earlier? One --

MR. BISHOP: Could you identify yourself, please?

MR. STEMEN: John Stemen with Inmotion. One important part I forgot to mention during the answer was, these generators involve a lot of heavy magnets that the rare earth material that the magnets are made of, 90 percent of the magnet material is mined in China.

And this is the only source that we found viable for magnets for this product. So this is a key component of the cost of this product.

And that's one additional reason in addition to what I mentioned earlier.

MR. BISHOP: We release this panel with our thanks. And we invite the members of Panel 22 to come forward and be seated.

And the members of Panel 23 to be seated in our waiting area. Thank you.

Will the room please come to order? Mr. Chairman, our first witness on this panel is Ron Duckstein with Sediver USA, Incorporated.

Mr. Duckstein, you have five minutes.

MR. DUCKSTEIN: Thank you for the opportunity to speak today. My name is Ron Duckstein. I'm with Sediver USA. I've been the company for five years as their Sales Director.

Been in the industry that we serve for 32 years. And again, I appreciate the opportunity to speak.

Sediver USA, Inc. is a subsidiary of Seves Group. We're headquartered in Europe. It's the world leading glass insulator manufacturer serving the U.S. electric transmission and distribution industry.

Electrical insulators for high voltage transmission lines are considered critical to companies responsible for generating, transmitting, and distributing electric power to the consumer.

Their quality and long term reliability provides the dependability and resilience to the transmission grid. Glass insulators are the preferred technology choice for utilities and engineering firms for high end, high voltage transmission grids.

Follow a more than 15 million dollar strategic investment done to specifically serve the U.S. market, that's a significant value add U.S. base, our state of the art factory located in West Memphis, Arkansas opened for production last year, March 1, 2017.

In addition to production, this plant is equipped with a unique high voltage testing laboratory which supports U.S. utilities and their transmission grid asset and risk management.

Replacement programs as well as providing a center of technical expertise and training excellence for U.S. engineers in the T&D space.

Sediver USA is very proud to be the only manufacturing plant of this specific product in North America. Every other supplier of ceramic, whether they be glass or porcelain insulators in the U.S. imports 100 percent of their finished insulators.

All other U.S. based manufacturers have closed their ceramic insulator manufacturing U.S. footprint long ago. And the most recent would be 20 years.

We have already created a significant number of new jobs for the local economy. And plan to double this as we expand.

In addition, we have added more than 12 million dollars a year to the local economy. And combination of payroll and consumable supplies.

Sediver USA's current operations and future growth heavily depend on imports from China. Specialized components such as metal parts along with glass shells used in the assembly of our glass insulators are sourced from China as they are critical to meet the U.S. market price levels demanded by our customers. And make the U.S. operations financially sustainable.

Although we have initiatives in place to locate domestic sources for metal parts, these components are not currently available in the U.S. And if eventually they are in the future, they will be at a steep premium.

The glass shells are manufactured in our own Sediver plants located in Shanghai, China. We also continue to import finished insulators from our Shanghai plant to complement our production and effectively serve the U.S. demand.

The new package of tariffs, if implemented, will impact our ability to support the U.S. utilities with their critical mission of supplying reliable power at competitive rates.

Glass insulators manufactured by Sediver USA in West Memphis, Arkansas are contributing to keeping day to day service, dependability, and play a critical role in providing a product that helps to restore power rapidly after a storm.

Just this month we shipped thousands of insulators to California for repairing power lines damaged by the massive and devastating wildfires.

All our competitors also source components from China. However, some of them would have an unfair advantage over us since they import their finished glass insulators to the U.S. from other low cost countries such as Russia and India.

And would therefore not be subjected to those tariffs. Even though some of their components are coming from China.

Ultimately, they would have an economical advantage over us, a U.S. based manufacturing facility quite clearly against the interest of U.S. utilities, workers, and customers. And not in line with the spirit of the U.S. policy to favor production in the U.S.

As a matter of fact, Sediver already requires a higher price than our competitors because of the higher cost to produce in the U.S. and provide top notched quality products together with a state of the art technology supported by our lab.

This premium has already proven to be very difficult to sustain. An even higher premium would certainly not be accepted by our customers and ultimately may force the plant to shut down.

We are a small business. With this in

mind, we ask that the 301 tariffs not apply to glass insulators, the metal parts used, or the glass shelves.

At the very least, we ask for a tariff exemption so that we can keep supporting our valued U.S. customers. And be able to compete fairly in the marketplace.

We believe that without this tariff exemption the future of Sediver's West Memphis, Arkansas plant will be in jeopardy. And the U.S. electrical power utilities will lose their only U.S. based glass insulator manufacturer.

Thank you.

MR. BISHOP: Thank you Mr. Duckstein. Our next witness is Frank Katz with Cheetah Chassis Corporation.

Mr. Katz, you have five minutes.

MR. KATZ: Thank you. Good afternoon. I'm -- and thank you all for coming and taking the time to listen to us.

I'm Frank Katz. I'm Chairman of Cheetah Chassis. I'm here on behalf of myself and also on behalf of my 180 employee owners.

In fact, these people who actually build the chassis are the one who said they really wanted me to come down here and express for them what we can do to help keep their jobs, and how tariffs play into this.

They also asked me to mention that they would like me to speak for the two hundred other employee owners who have been laid off, unfortunately, by us. Against everything I ever like to do, over the last four or five years as a result of what is clearly unfair competition by a Chinese company, China International Marine Corporation. We call it CIMC. Or they call themselves CIMC.

Our business is really very simple. We build primarily container chassis. Container chassis are big steel frames, they're trailers actually that operate on America highways.

They carry containers. Which carry domestic freight. Our company was actually involved in pioneering both containers and container chassis in the 1970s.

Today nobody builds containers in the United States. They're all built by CIMC in China.

Recently CIMC decided that they were going to come after the container chassis business. And they did so by offering to sell customers our products at a significantly less than our prices.

Kind of scratched our heads about how this could happen. And eventually we learned the hard way, that we were not going to be able to compete on the basis of price.

Many of our competitors learned this an even harder way, and they ended up going out of business.

The way we survived is by continually innovating to stay one step ahead of CIMC. We target new markets with new products as they emerge.

Well, every time we do this, every time we design a new product, it suddenly shows up coming in from China about six months later.

Sometimes they have other shenanigans like they actually published a picture of our picture of our chassis on their advertising materials. But they forgot to take our mud flaps off, so.

Anyhow, it's very unpleasant for me to admit that with all this happening, we've had to lay off half of our employee owners.

But I figure I've learned a couple of lessons in this. It took me a while. But we figured it out.

First of all, we realized we're not competing with CIMC. We're actually competing with China.

At the back of your testimony you'll see a copy of some very complicated chart from CIMC's annual report, which basically shows that through a complex web, they and the company they use to ship their chassis here are all owned by the Chinese government.

Second, we realized this is not about

chassis. It's not just about chassis. It's also about steel.

See chassis are these big steel products. They're virtually all made out of steel. Even the components like the axles and the springs and the landing gears, they're all made out of steel.

So by pricing this properly, what's happening is that they're in effect getting around, they're making an end run around any kind of restrictions there are on steel.

There's also a third component of this, which we are a little concerned about. And I don't know exactly why.

But, the fact is, that if this isn't stopped, all the containers and all the chassis in the United States, which are moving an increasing portion of our freight because of this trend towards intermodal trade, are going to be built and owned by the Chinese.

You're going to hear from a lot of large American transportation companies who tell you that they oppose these tariffs. They'll tell you that the American chassis manufacturing industry cannot supply their needs.

There really is no basis for asserting that there's going to be a shortage. I mean, my company only runs one shift. We used to run three.

There are other American manufacturers here perfectly willing to reenter the business if they can just get a reasonable price.

Besides, CIMC's President recently said, and I'm going to quote this on CNN, if we are hurt by the so-called tariffs, we will find a way to continue to manufacture chassis. And we will still get the market share.

I think this means that they need the business to keep their factories working and their steel mills running. That's the reason they subsidize the product.

We hope that when these large companies tell you that they need CIMC to supply their needs, you understand that what they really mean is that they want to continue to buy chassis at unfairly low prices.

Imposing chassis -- imposing chassis on Chinese -- sorry, imposing tariffs on Chinese chassis and chassis parts won't hurt the U.S. economy.

We all know that the cost of transportation in this are largely related to other issues. The chassis is a very small part compared to the drivers and the gas and the fuel.

And the darn things last 20 years anyhow. So, it's pennies.

It's not too late to prevent the American chassis industry from being driven to extinction by these unfair trade practices. I hope you will all give American manufacturers a fair shot to help us protect our national interest.

Thank you very much for listening.

MR. BISHOP: Thank you, Mr. Katz. Our next witness is John Hoge with Sea Eagle Boats. Mr. Hoge, you have five minutes.

MR. HOGE: Thank you for giving the chance to speak. My name is John Hoge. I'm with Sea Eagle Boats, which is a family business that sells inflatable boats and kayaks in Fort Jefferson, New York.

Since 1968, we have developed and sold inflatable kayaks, boats, and standup paddle boards for sale in the U.S., Canada, the United Kingdom, Australia, and many other markets. We have 30 employees whose jobs are threatened by the proposed tariffs. Over half of our employees have been with us for a decade or more, and we offer all of our employees 100 percent health coverage paid for by the company because our team is the reason for our success.

I am opposed to the tariffs on inflatable boats for these reasons: tariffs will not save manufacturing jobs in this particular industry. Inflatable boats are an industry that tariffs can only hurt. There never was a domestic manufacturing place for consumer inflatable boats. Fifty years ago when we started in this business, we were importing from a factory in France. Production moved over the decades to Italy, Korea, and now China. There are no jobs to be saved by this tariff because there is no industrial base for inflatable kayaks in this country.

Tariffs will not create jobs that don't exist now. The proposed tariffs will not create a U.S. manufacturing industry because domestic production is simply too expensive for a recreational product intended for the middle class family. Producing inflatable boats cannot be automated and requires extensive manual labor. If these boats were produced at U.S. wage rates, prices would have to rise above that which a middle class family can afford.

Moving production out of China is difficult and time consuming. Inflatable boats are not easy to make and require skilled labor to produce. Safety is a very important issue for vessels carrying people, and safety cannot be rushed. Boats must meet exacting standards set by the National Marine Manufacturers Association. Shifting production in a safe and responsible way will take two to three years to do at scale.

Tariffs will destroy jobs and companies in the U.S.A. Applying the proposed 25 percent tariff on Chinese production would force importers to raise their own prices by 25 percent. This will undoubtedly result in declining unit sales and a large drop in revenue.

Fewer orders would mean that fewer Americans would be employed in occupations from warehouse work to web development. Marketing budgets will have to be cut sharply, and that would mean canceled orders for advertising, catalogue printing, video production, and digital marketing.

Fewer orders means less business for carriers such as FedEx and UPS. Jobs that are currently secure will be lost overnight. Having to let employees go who have been with us for many years would devastate our team. While the industry is not large, the loss of employment is huge to the people involved.

Job prospects for employees laid off due to tariffs would not be responding, as many of these employees have been working in this industry for decades or more and it would not be quick and easy for them to find employment.

Furthermore, the middle class quality of life would be further eroded. Even with the recent growth of the U.S. economy, American consumers still have a limited budget. Wages haven't risen much for many families, and most people must watch what they spend on consumer goods.

Inflatable boats have long been an affordable way to enjoy America's waterways. Safe family fun on the water should not be exclusively for the one percent. The middle class has long enjoyed boating and kayaking, and it would be a shame if these tariffs and price increases meant that they would further erode the quality of life for the American family.

I ask the Committee to exclude

inflatable boats and associated boat parts -- the tariff numbers are in the document -- from this tariff. Failure to do so would inflict tremendous and unnecessary harm, with no benefits whatsoever. Thank you, and I welcome your questions.

MR. BISHOP: Thank you, Mr. Hoge. Our next witness is Jim Leishman with Pacific Asian Enterprises, Incorporated. Mr. Leishman, you have five minutes.

MR. LEISHMAN: Yes, thank you for the opportunity to speak. I'm a co-founder and co-owner of a company that we formed 40 years ago. We manufacture yachts. In 40 years of business, we've produced over 1,000 yachts, and we have primarily built them in Asia, in Taiwan, and more recently, over the past 15 years, in China. We have active manufacturing in Taiwan at this time, and about two-thirds of our production is in China. The related subheadings that I'm responding to are 8903.92 and 8903.99.90.

These yachts that we build, they're

big, they're expensive yachts, but they're generally low-technology. It has nothing to do with technology transfer, the intellectual property, and innovation. It's not part of the program of the Made In China 2025. The yachts that are assembled in China are relatively simple, low-speed yachts designed for long-range cruising. The technology used in the design assembly built of these yachts taking place in China has been in place for many, many years.

Of the cost of the yacht, say, for instance, a 10-million-dollar yacht, about 40 percent is paid to our vendor in China. That's the yard cost. The remaining 60 percent is comprised of thousands and thousands of components that we supply, including engines, generators, hydraulic systems, electronic packages.

I've heard it once said that the best thing for the economy is when a big wealthy guy goes out and buys an yacht, because the amount of people that benefit from that purchase, not only at the time the boat is built and paid for, but for years afterwards: the constant maintenance, the crewing of the yacht, it employs a tremendous amount of people downstream, aside from the original purchase.

So, for us, with all of these yachts, if you look back to the last three years, our net pre-tax profit is running about four percent after we pay our G&A and all of our costs and insurance and shipping and all of the associated costs of building these boats, that's about what we end up with. And we're actually kind of proud of that.

But to throw in a 25 percent tariff into our program right now, it's just a wipe-out. It would be just unsustainable. You could never imagine, on the boats that we build, of trying to aspire to a 25 percent margin. It would just never happen. So, throwing a tariff like that at us would just be terrible.

And while, over a period of years, we could move our production that we have in China back over to Taiwan, as many people have said here, the cost of doing that is just exorbitant. We have an infrastructure there, we have a factory, we have employees, we have tooling. To move all of that back from China over, say, to Taiwan, would be very costly and would take a lot, a lot of time.

This tariff is a disaster for us. I think we can get through it, I guess, but what's ultimately going to happen is that, right now, most of our larger yachts are foreign-flagged, so people don't even want to get involved in the U.S. We currently have about 10 million dollars' worth of yachts that are in production that are contracted to go into the U.S. market, but what people will do is they'll just simply foreign-flag. It makes a lot of sense, with a large yacht, to register, say, in the Cayman Islands or the Marshall Islands or various other flags of convenience. They can avoid a whole array of taxes. I mean, the state sales taxes. They don't have to pay the U.S. duty that is now currently charged. It's been in place for 40 years. They won't get caught up in any personal property tax from the various counties. They can operate a foreign-flagged yacht and come into the United States on a cruising permit and operate freely. And that's what a lot of them do. There's a lot of other benefits from a liability standpoint.

But by enacting this, it's going to hurt us greatly. But the people who ultimately would have flagged the boats in the U.S. are going to foreign-flag them, and it's just going to be a loss for a lot of people involved. So I oppose it, and I hope that that tariff can be reconsidered. Thank you.

MR. BISHOP: Thank you, Mr. Leishman. Our next witness is Harlan Stone with the American Consumers and Workers Justice Coalition.

Mr. Stone, you have five minutes.

MR. STONE: Good afternoon. Thank you very much for the opportunity to speak to you today. My name is Harlan Stone, and I appear before you today as the founder of the American Consumers and Workers Justice Coalition, also as the president of the Multilayer Flooring Association, and as the president and CEO of Halstead New England Corporation, and co-chairman, along with my brother, of Metroflor Corporation. I respectfully submit the following comments on behalf of the coalition, the MFA, and Halstead Metroflor in response to the U.S. Trade Representative's request for comments on the Section 301 tariffs.

On behalf of the organizations I represent and the companies that I head, I respectfully request that you remove from the proposed list of imported goods from China subject to additional punitive tariffs items classified under HTS 3918.10.10.

The vinyl flooring industry represents thousands, tens of thousands, of employees in small-, medium-, and also large-scale businesses across this country. Our industry sells quality vinyl flooring products to big-box retail stores, as well as mom and pop independent retail stores throughout all 50 of these United States.

Imposition of a proposed tariff, 10 percent, or possibly 25 percent, would cause disproportionate economic harm, particularly to the small and medium American flooring businesses, as well as to American workers and American consumers.

Our primary product, luxury vinyl tile, known as LVT, is a consumer product. There's insufficient non-Chinese capacity to replace the Chinese imports of LVT if the proposed 25 percent tariffs are implemented.

In 2017, there was a total of 2.66 billion square feet of LVT imported from all countries into the U.S.  Of that, 2.22 billion square feet, or 83 percent, was imported from China.

Previous commentators have suggested that, because there is excess capacity, imposition of the additional duties would not cause disproportionate harm to U.S. consumers.

But that excess capacity is not of LVT. It's of legacy products that have little or no demand in this country.

The implication that either Korean, European, or American unused capacity is sufficient to replace the product supplied by Chinese manufacturers is not correct. They are not able to produce products that the consumers want. They are only able to produce things that the market has already chosen not to purchase. It would be a great disservice to the American consumer if we did not incorporate their demand and desires for their choices in flooring products.

Implementation of the proposed duty on LVT will aggravate and amplify pressure to increase prices on LVT, particularly given the dramatic growing demand for these products.

Our analysis shows that the proposed punitive tariffs will materially and unfairly increase costs of LVT products to the American consumer. Since the tariffs cannot be fully absorbed by the vinyl flooring supply chain, the 10 or 25 percent tariffs must be passed on, at least in part, to the American consumer, effectively resulting in an unfair indirect tax on LVT products to American consumers. American families will therefore be required to pay higher prices for LVT products.

Higher tariffs will also lead to higher costs and fewer and less innovative choices for the American consumer, reducing consumers' access to the latest technology, such as waterproof flooring and other developments, including superior performance, easier installation, greater product safety, and increased sustainability.

In addition, our companies are deeply concerned that the proposed tariffs will result in American job losses and thousands of layoffs would occur throughout the supply chain, including hundreds of small- and medium-sized businesses, flooring distributors, retailers, and installers in all 50 of these United States.

Finally, our companies do not believe there is any danger of any sensitive U.S. technology falling into the hands of the Chinese government. Although we are an innovative industry, this is simply innovation in home decoration. There is no high-tech or cutting-edge technology that is in any way at risk of being stolen by the Chinese government or Chinese companies.

The imposition of a duty on these items will not effectively eliminate any acts, policies, or practices of the Chinese government that are negative for the U.S. economy. We believe we have to stand here for the American worker, consumer, and businesses. Thank you very much for your attention, and I look forward to your questions.

MR. BISHOP: Thank you, Mr. Stone. Our next witness is Robert Unnerstall, Jr., with the National Cart Company. Mr. Unnerstall, you have five minutes.

MR. UNNERSTALL: Thank you. My name

is Rob Unnerstall. I'm president and CEO of our family owned and operated company based in St. Charles, Missouri. I'm here to voice my opposition to the proposed increase of 25 percent pursuant to Section 301. There are several subsections that we mentioned in our letter.

Our company, as I mentioned, is a family owned and operated Midwestern company, and we're a leader in material handling design, manufacturing, distribution, and servicing in the store fixture and material handling industries. Our main campus is in St. Charles, Missouri; we have a second U.S. location, located in Reno, Nevada. Total square footage is approximately 350,000 square feet today; about 75 percent of it is manufacturing, 25 percent of it is warehouse. And we are in the process, today, of breaking ground on an additional 60,000 square feet and about a $5 million capital investment back into our business.

Our customer base ranges from single-unit retailers to Fortune 100 companies. We serve many industries, a great deal these days, on the logistics side of the world, with the explosion of e-commerce. Our current customer base includes folks like Amazon, Walmart, Target, Kroger, as well as mom and pop supermarkets.

National Cart, our company, prides itself on the fact that we are able to support our customers' needs by being able to both domestically manufacture goods, as well as import commodity products, and then, additionally, we call it a hybrid manufacture, when we take imported components and translate them into produced goods here in the United States.

We adopted this policy and method of manufacturing distribution back in 2001 when our industry was targeted by Chinese imports. And it was one of those situations where you can either get on the game or you can die a slow death. We chose to get into the import game.

Since then, we've grown from 80 associates and approximately $17 million in revenue to approximately 300 associates and $80 million in revenue. So we've grown a great deal by adopting that policy, and I'm very, very proud of it. We fueled this growth by continuously innovating new products in this country with the customer in mind, increasing our domestic manufacturing capabilities, as well as partnering with Chinese organizations that help produce some of these commodities and sub-components.

In keeping with this partnership mindset, we continuously groom our overseas vendors to produce high quality parts at a fair cost while not compromising any of our intellectual property rights. We ensure that we work closely with these partners, customers, employees, and vendors alike, to build relationships that provide a value proposition for our retailers. These tariff increases would only serve to jeopardize this customer and supplier relationship that we have painstakingly built over the last 39 years, and it would slow our pace of growth, thereby reducing jobs and reducing customer demand.

We do firmly believe that this policy would also lead to an additional reduction in raw materials of both aluminum and steel, which was what something these original tariffs were poised to protect. Over the last year, National Cart, as well as the rest of our country's metal users, have faced increased costs in domestic steel and aluminum. As a result of these recent tariffs on steel, our aluminum steel costs have risen approximately 46 percent in steel, and approximately 31 percent in aluminum. It's led to a great deal of uncertainty, exposing our organization to a high variability in material costs, while undergoing long-term pricing contracts with our customers has led to some significant challenges.

The recent tariffs on the raw steel and aluminum have already taken a toll on our business. This uncertainty is now only compounded by the latest proposal to increase and expand the codes.

To illustrate, over the last 12

months, we've worked very diligently to partner with a U.S. retailer to innovate and develop a new material handling process for their organization. We have sampled and sent many, many products to many stores, tested, changed, innovated, and have secured a very large purchase order with this U.S. retailer. We have issued purchase orders with our Asian partners. These products are currently on the water with all raw materials currently purchased.

This job, so to speak, this rollout, which is very significant to our organization and our employee base, has the ability to turn from a profit to a significant loss based on this 25 percent tariff, basically wasting a year of our capital and time and development costs to develop this solution for our retailer.

These tariffs do not appear to be strategically targeted. they seem to be based on dollars aimed on imports and mostly directed in terms of the harmful actions identified in the USTR's investigation. Not only will these additional tariffs restrict free trade, but they would ultimately lead to the government picking winners and losers.

Additionally, the potential for implementation of these new levels of tariffs will essentially have an immediate, chaotic impact on all the affected parties. It's that --

CHAIR BUTLER: You have 20 more seconds.

MR. UNNERSTALL: I'm sorry. It seems as though the immediate action of this tariff has the ability to leave somebody standing in a musical chairs type of example.

That being said, I apologize for running over. I thank you for your time, and I absolutely welcome any questions that you may have on the impacts of this proposed tariff. Thank you.

MR. BISHOP: Thank you, Mr. Unnerstall. Our final witness on this panel is Steve Williams with Elberta Crate & Box Company. Mr. Williams, you have five minutes.

MR. WILLIAMS: Thank you, and thanks for having me. My name is Steve Williams. I'm the CEO of Elberta Crate & Box Company. We use certain types of imported softwood plywood to manufacture fruit and vegetable crates or boxes. I would say it's probably safe to say that almost everyone in this room has eaten vegetables, corn, beans, maybe leafy vegetables that have been packed and shipped in our crates. So, thank you.

We employ approximately 400 people and have two plants that manufacture in the U.S. One is in Bainbridge, Georgia, southwest corner there; and in Warrenton, South Carolina, not to far south from here.

We have been in business since 1905. There used to be quite a few wire-bound manufacturers. We are one of two survivors. There are only two American companies who are making wooden, wire-bound crates for our nation's farmers and fishermen in the U.S.A. today.

Cutting off Elberta from its supply of softwood plywood, which is one of areas that is targeted, would result in a transfer or the potential consideration of moving jobs to survive to other locations, possibly Mexico, maybe even China, because of the way the tariffs fall out.

We already compete against foreign crates that are made in Honduras.  It's not to a big extent, because we are a very niche industry. They are made in Honduras, Mexico, and then a couple other places.

Tariffs on softwood plywood would further harm Elberta's ability to retain American manufacturing jobs in the face of some of this competition.  And we've listed some of the HTS codes that we believe should be removed from this retaliation list.  These products are plywood with a face and back of various kinds of softwood species, such as radiata pine.

We also bring or import a component of the crate.  We try to do as little as we can or have to, but most of these components in these tariffs all fall into areas that are really not -- they're like the kitchen sink; there's nowhere to put them. It's like other wood, things like that. We just happen to be a niche industry that just falls into a place where we have to even look for a code to put things.

We import some of these pieces from China today to help support and supply our American production. We basically make our crates, plywood being one of the components. There are four main components, and it's one of them; it's probably 10 or 12 percent of the total of the crate. Eighty-five percent of the materials that we use in our crates, or 75 to 85 percent, are domestic products. We source and try to do as much as we can. Most of our employees are non-skilled labor, and we mainly import the plywood component because it is not available in the United States.

Now, most plywood is, but we use a -- it's actually not a kind of decorative plywood that Columbia Forest Products and others in the domestic hardwood plywood industry have encouraged keeping these on the list. The component that we use is very thin, almost a trash type of plywood. It works just enough to be able to make the crate work to support putting corn in or beans or vegetables like that.

For many years, we have used this type of plywood. Probably about 10 years that we've imported from China, because we were just having trouble sourcing material in the U.S. It wasn't because it was cheaper. It's just that the component or material that we use, we use this plywood to make fruit and vegetable boxes that are exposed to the elements. It's not an interior, decorative plywood. It's a far cry from the beautiful kinds of plywood that you see mainly being imported from these other countries or from these other companies.

Imposing duties on these would not achieve an objective related to enhancing the enforcement of intellectual property rights. I mean, it's mainly done by manual labor, and that's why the component is almost a trash product, but yet it supports the crate well enough for the farmer to want it.

This kind of plywood we use is the most basic, unfinished, non-decorative, non-intellectual plywood you can imagine. It's not subject to any patent or trademarks. These items are not available here. As I mentioned, we've never had a company calling us to sell us this product. No one has ever come by, no one has ever said anything to us. It's like, what do you do?

Our foreign competition will continue to have access to it. It's the way they it works around and how they move product --

CHAIR BUTLER: Mr. Williams, please conclude.

MR. WILLIAMS: Okay. We just would like to be able to have this excluded because we would have problems sourcing it anywhere else. Thank you.

MR. BISHOP: Thank you, Mr. Williams. Mr. Chairman, that concludes direct testimony from this panel.

MS. M. SMITH: Thanks very much. I'd like to address my question, please, to Mr. Duckstein. In your statement, you explained that there are, in fact, other manufacturers of insulators in Russia and in India. Would they be able to supply the metal parts and glass shells that you currently import from China?

MR. DUCKSTEIN: Thank you for your question. And, no, they would not be able to supply those. Those manufacturers that I referenced do get their parts from China.

MS. M. SMITH: So can I please probe a little more deeply into that?

MR. DUCKSTEIN: Sure.

MS. M. SMITH: So they incorporate components from China in their manufacturing. But would that preclude their being responsive to your requirement for their product?

MR. DUCKSTEIN: Well, those manufacturers compete against us, not necessarily our component suppliers. They compete against us with fully-assembled insulators. So they get their components from their sources, and some of those sources are China.

MS. M. SMITH: Thank you. And the other sources that you just referred to, would they be able to use those components in meeting the requirement?

MR. DUCKSTEIN: There are three basic components to our insulator. They're relatively simple. We have a cap, a pin, and a glass shell. The glass shells we manufacture in our own facility in Shanghai, China. We can't manufacture with somebody else's glass shell, because it's our own technology and it works as a system, so we would be unable to source that from anywhere. Other manufacturers also make their own glass shells. So that's sort of the basic component.

The metal parts, the cap and the pin, are what would be sourced from a third party. And there are locations outside of China that could manufacture those, technically. But from a cost perspective, it could double and triple the cost of those metal parts, and ultimately increase the final cost of the product 20 to 30 percent.

MS. M. SMITH: Thank you.

MS. BONNER: Mr. Katz, I have a two-part question. How long would it take for Cheetah to expand production to meet current domestic demand for imported chassis? And second, would there be a price increase for those chassis to trucking companies?

MR. KATZ: Okay. So, to answer the first question, I'll give you a little bit of background. Cheetah generally produced about 30 to maybe 50 percent of the chassis that were needed in this country, historically. There were other manufacturers that were very active in this business, and they all changed around.

As I told you, some of them have gone out of business, but there are three or four remaining that are very anxious to ramp up. You have people like Stoughton, Hercules, who make chassis, and all these people have scaled back as we have scaled back. So, there's no question that there's enough physical capacity for us to serve the entire market.

Obviously, there's learning curves and hiring curves and so on and so forth, but if you take all of us, and we all suddenly go to second shifts, I think it would be pretty close to being able to serve the market. In terms of time, it is difficult to hire these days, but probably in 90, 180 days, you could see some increases.

It's not our goal to put the Chinese out of this business. Our goal is simply to establish a level playing field. And I believe that, ultimately, the way this would work out -- and again, as I told you, they're not inclined to leave. They've taken this business away, so I'm not sure we have to go to 100 percent.

In terms of the price increase, I can really only talk about cost, because the price right now is determined by the Chinese. The business that we get is determined by them and how close we can get to their prices.

But when we increase the size, the scaling that people know benefits the Chinese, would certainly benefit us. And we go back to having two shifts a day, we're running more product through the factory with the same overhead and paying off the capital equipment faster, so on and so forth, so there's no reason why our cost would increase.

MS. BONNER: Thank you.

MR. KATZ: Does that answer your question?

MS. BONNER: Yes, thank you very much.

CHAIR BUTLER: Sorry, just as a follow-up, Mr. Katz, could you address their country sources?

MR. KATZ: So, it's interesting about chassis, because they're long. They're about 40 feet long. Until the Chinese decided to use their sister shipping company to move them, nobody ever moved these things around on ships. But there are very vital industries, both in Canada and in Mexico. In Mexico, it's actually a

Korean company that operates a very large facility in Mexico. And that would almost certainly -- thank you for asking that question, because they both just moved away from the market because they couldn't compete with the Chinese pricing. But if the pricing was back to a realistic level, that would more than satisfy the needs of the market.

MR. SULBY: My question is for Mr. Hoge with Sea Eagle. Are your former suppliers in Italy, France, and Korea still viable suppliers for inflatable boats, or are they no longer in the market?

MR. HOGE: No, they haven't been viable for decades in Italy and France. Korea is borderline right now, but in a few years they will not be competitive. The Korean minimum wage is higher than the U.S. now, so it's something where there's almost no industry left in Korea at this point.

MR. CONCEICAO: Great. My question is for Mr. Leishman. Mr. Leishman, first, do we in the United States manufacture yachts similar to those that you produce overseas?

MR. LEISHMAN: Very limited. We, ourselves, have tried to build in California, and did for about six years. But environmental issues and labor, and then the facility, the cost of the land -- the boats are so big, they can't be trucked. So it was not really a viable option for us.

Although the yacht building is huge in the United States -- in fact, I think U.S. production takes care of about 95 percent of the U.S. market. These are just very large, very unique expedition yachts that we build, so there's really not much going on in the U.S. aside from single-builds. There's no real production facilities that are available to us.

MR. CONCEICAO: Okay. And as a follow-up question, in your testimony you said about 40 percent of the price of a finished yacht is based on the assembly that takes place overseas, and 60 percent are components that I presume your company is supplying. Are those components of U.S. origin, for the most part?

MR. LEISHMAN: Most of them are. They would be Caterpillar, Cummins, John Deere, hydraulic components. Some European products, some of the electronics, their origin is Japan. So it's a big basket. But the major components that make up the lion's share of the cost would be U.S.-manufactured components, heavy machinery, steering gears, things of that nature.

MR. CONCEICAO: And you source those here and supply them to the manufacturer?

MR. LEISHMAN: We supply a big portion of the bill of materials to our partner in China for installation into the boats.

MR. CONCEICAO: Thank you very much.

MS. PETTIS: This is Maureen Pettis, Department of Labor. This is a question for Mr. Stone. You testify that Korean, European, and U.S. unused capacity would not be sufficient to replace Chinese production. Could you explain to the Committee the basis for your view?

MR. STONE: Thank you for the question. Yes, so, the vinyl flooring industry encompasses a lot of different products. And recently there has been a great shift away from old, traditional sheet vinyl products towards modular products, which would be called luxury vinyl tile; and more specifically within luxury vinyl tile is a product of which I am the president of the association, multilayer flooring.

So, today, multilayer flooring is in its third or fourth year, and it currently has a very large share of the market and over 100 percent of the growth in the vinyl flooring market. And the only manufacturing facilities that are making this product today are in China and a very small amount coming out of Europe.

The ramp-up to create this innovative new process of manufacturing has been slow in the markets outside of China: Korea, Europe, and America. Whereas in China the speed at which they've come to market has been very rapid, both in terms of the innovation and the actual output. So we see it as actually a speed game, and the speed simply isn't there in those markets.

CHAIR BUTLER: All right. Just as a follow-up, I think you're speaking about the multilayered, but what about the LVT? Isn't production in the U.S. quite large now?

MR. STONE: LVT is kind of the mother and multilayer is the daughter. LVT production in the United States, there's been over a billion dollars invested, and, with that, they've been unable to increase the percentage that they can serve, because the market has grown so quickly.

So, whereas there's been a lot of investment in United States, the amount that's being imported, percentage-wise, is increasing because they're not able to get the machines going fast enough to meet the demand. We have close to a 30 percent growth compounded right now in our category.

CHAIR BUTLER: Thank you.

MR. STONE: You're welcome.

MS. ZUCKERMAN: This question is for Mr. Unnerstall. Can you please clarify what exact HTS numbers you are proposing be removed from the proposed action? And then, separately, what other sources of supply exist for those products?

MR. UNNERSTALL: Certainly, I understand. Thanks for the question. The actual codes that we're impacted by are 8716.80.50, .50.90, 8716.90.50, and then .50.60, 9403.20.00, and then .003, and then 9403.20.00.20.

In terms of the opportunity to develop alternative sources, as many folks have explained, the timeframe and the capital investment involved in shifting production from one country to another country is extensive. These vendor-partners that we have developed have been done so over the last 15, 18 years. And they've invested heavily in terms of robotics and tube lasers, sheet lasers, things of that nature, and these relationships and partnerships just don't happen overnight. So it would be years to develop alternative sources. And it certainly can be done so.

And then, to expand upon that, again, the timeframe that this tariff/tax can be implemented in is going to leave somebody short. Again, we have an opportunity to make a fair profit on a significant capital investment, and with this proposed tariff, if our customer doesn't step up to the plate and share some of this burden, which they contractually do not have to do, we could lose millions of dollars, quickly.

MS. ZUCKERMAN: Thank you.

MR. UNNERSTALL: Thank you for your time.

MR. WINELAND: Mr. Williams, you indicated that you're unable to source your materials from domestic plywood manufacturers here in the U.S. What other countries manufacture plywood, and are there prospective sources of the waste material from such countries?

MR. WILLIAMS: Right now I'm not aware of any. And it was unique in how this was developed. I had a friend who went to church with me who went over to China to be a missionary. He had been there about 10 years, and then, all of a sudden, it's like we began to develop something to fit into the crate, because we were struggling with sourcing here in the U.S., the components for it. So we're not aware of it.

Could we go somewhere else? He actually helped to develop -- he has since moved back to the U.S. recently. He has traveled to Vietnam. We've looked at other places, but as of right now, there is not another place. We're not aware of it, and we certainly can't source it domestically.

Now, 10 years ago we used to make a component that has become harder and harder to source in the U.S., so we would have to go back to that. It would be very, very difficult to even begin to source it from the raw material, which is from the forest.

MR. BISHOP: We release this panel with our thanks. And we invite the members of Panel 23 to come forward and be seated, and the members of Panel 24 to be seated in our waiting area. Thank you.

MR. BISHOP: Mr. Chairman, our first witness on this panel is Heidi Allen-Carr with MacLean Power, LLC.

Ms. Allen-Carr, you have five minutes.

MS. ALLEN-CARR: Hello. I am Heidi Allen-Carr with MacLean Power, LLC.

MacLean's products are used to support the electrical transmission and communication network infrastructure. MacLean has over 10 offices and manufacturing facilities within the United States and employs thousands of U.S. citizens.

As a company built on American entrepreneurial principles, MacLean recognizes the Trump Administration's efforts to address China's policies that negatively impact U.S.

commerce, including forced technology transfers and unenforced intellectual property rights.

As a manufacturing hub and important source of low-cost imported products, China is also a critical trading partner in supply basic components that are used in many products that MacLean manufactures. We are concerned with the Administration's recent proposed action to impose an additional duty of 25 percent on certain components and subcomponents imported from China. The HTS codes on the proposed tariff list, and noted in the Appendix 1, impact many products manufactured by MacLean and support U.S. jobs downstream through the supply chain. MacLean believes that many of the proposed tariffs would undermine the competitiveness of the company, resulting in the damage of industries in which its products are sold, and American interests.

MacLean products are used within the electrical transmission and communication network infrastructure. The ability of MacLean to supply these products is key to the continued growth of the American economy. Electricity transported on the network built with MacLean products is required to support the American electrical grid, supplying power to millions of businesses and homes.

Additionally, communication outlets rely on products manufactured by MacLean to hold key hardware in place, supporting the face-paced and free flow of information critical to the business and citizens. The strength and growth of American electrical communications network is a keystone to the continued growth of the American economy.

Additionally, MacLean's products support people in U.S. and abroad in times of need by protection of critical products that are needed to restore the electrical and communication network infrastructure when they are destroyed by hurricanes and wildfires. For example, MacLean continues to manufacture products that are instrumental in power restoration efforts in post-hurricane Maria

Puerto Rico. The upcoming hurricane season will undoubtedly destroy hardware with the electrical and communication network and create the need for these products from the Northeast to the Southeast regions of the U.S. As well, MacLean manufactured products continue shipping to the western U.S. regions, where annual wildfires are destroying electric power lines and network communication towers.

Without affordable access to basic components impacted by the HTS listing in Appendix 1, waiting for repairs and being without electricity and communication will be commonplace for millions of U.S. citizens.

MacLean-Fogg employs many U.S. citizens in manufacturing and supporting administrative jobs. The additional 25 percent tariffs on the HTS codes in Appendix 1 would prohibit MacLean from manufacturing profitable products, resulting in a reduction of employees and increased U.S. unemployment rates. The loss of jobs would occur not only at MacLean, but also at MacLean's customers who, likewise, would be unable to purchase and install the higher-cost products available within the electrical and communication networks.

The impact of tariffs on these HTS codes would negatively impact the entire supply chain. The HTS codes listed within the Appendix 1 of this letter relate to the components and the subcomponents that cannot be sourced from other American companies. Minimal sourcing alternatives exist, as China is the primary supplier to the world of many of these components. Therefore, we do not see any benefits to the U.S. economy or U.S.-based manufacturers when imposing tariffs on these products, as sourcing would just shift to low-cost manufacturing countries and not alleviate the overall U.S. trade imbalance. Further, developing factories and methods of manufacturing of these components requires significant capital investment and time before production could begin in the United States.

The HTS codes listed within this testimony are for components that do not support the Made in China 2025 sectors.  These components do not include new materials or unique technologies that support automation, biopharma, or aerospace, maritime, rail, agricultural equipment.  The components covered by the HTS code list in Appendix 1 are simple and nontechnical to produce.  The U.S. has moved away --

CHAIR BUTLER:  I'm going to need you to conclude, please.

MS. ALLEN-CARR:  Certainly.  The U.S. has moved away from producing these, as they have limited value and low complexity and are prevalent within many of the manufactured products.  China's ability to source these items at a low cost does not provide a competitive advantage within the Made in China 2025 Initiative.

I appreciate your time.  Thank you.

MR. BISHOP:  Thank you, Ms. Carr.

Our next witness is Brad Kautzer of Banner Engineering.

Mr. Kautzer, you have five minutes.

MR. KAUTZER: Good afternoon, Mr. Chairman and Members of the Committee. My name is Brad Kautzer. I'm the Chief Operating Officer of Banner Engineering, headquartered in Minneapolis, Minnesota. Thank you for the opportunity to participate before this Committee in a matter of urgent and critical importance to our company.

As a global leader in industrial automation, Banner Engineering is a true American success story. From humble beginnings, Banner grew its industrial sensor manufacturing business from three people to now over 1400 employees worldwide, including 900-plus jobs based in the United States. Banner is the industrial sensor market leader in the United States, and we export products to over 75 countries worldwide, including China being our second largest market outside the U.S.

To support domestic and international growth, Banner has expanded its operations to include three factories in the United States, a plant in Mexico, and a wholly-foreign-owned enterprise in China. Our strategy to enhance our U.S. market position and expand internationally in China and other international markets has resulted in a 56 percent growth of U.S. manufacturing jobs in Minnesota and South Dakota since 2003. Our corporate campus has seen a 62 percent increase in high-technology positions, including disciplines such as engineering, technical, and other professional positions to support our global growth.

Banner's U.S. sites play a critical role in providing high-technology sensors that are designed and manufactured in the U.S. for domestic consumption and also exported to China and worldwide markets. Banner's products are key components that provide intelligence to form the core of powering the industrial internet of things which is so prevalent in driving productivity and efficiency for U.S. industry.

Banner had the opportunity to participate in the July hearings related to list 2 to relay our concerns about how the wave of tariffs negatively impacted cost and competitive position for commodity sensors exported from our China factory and electronic components sourced from U.S.-based suppliers -- or from China-based suppliers. I am here today to discuss how current proposed tariffs affect negatively our business in another area; namely, how it supports our U.S. factories.

The List 3 tariffs further compound an already-challenging situation because the new costs now directly and significantly impact all of our high-technology products produced by Banner's U.S. operations. Our high-technology products compete directly with foreign suppliers, primarily Asian and European companies, who do not have the same constraints. This places Banner in a significantly cost disadvantage position and creates an uneven playing field, even within our home markets, but also globally.

While we understand the rationale and impetus for negotiating with China regarding certain business practices, Banner has been doing business in China successfully since the 1990s and has not experienced the pressures of IP transfer or other onerous challenges that may have impacted other industries, as outlined in the 301 findings. We do, however, see and agree with areas for improvement, such as having more transparency with business processes, including custom clearance, inspections, trademarks, agency approvals that create barriers for doing business with China. Banner supports constructive engagement with China to address these concerns, but we view the tariffs as a dangerous tool that will only cause unintended consequences.

Imposing tariffs identified in List 3 poses a twofold problem for our company. First, the top tariff code related to printed circuit boards, 8534-00-00, is used across virtually every product made by Banner in our U.S.

factories. China possess virtually all of the world's capacity for these simple printed circuit boards that Banner consumes. Volume capacity does not exist anywhere else in the world, and moving or establishing this supply chain is impractical due to capacity and cost. While it is possible that production might migrate to other countries over time, it would take significant investment in time and dollars. Due to cost alone, it is highly unlikely that these boards would ever return to the U.S. market. Similar challenges exist for another two codes related to plastic molding and metal parts.

Secondly, our company has invested millions of dollars to develop capable and global highly-integrated supply chains for these lower-level components. And even if a source of supply could be identified, it would take years to create capacity, qualify parts, and work with our customers to approve these changes.

There's also a significant opportunity cost in not being able to develop innovative new designs. Banner produces and assembles millions of sensors annually in our U.S. facilities. These products all would use these components and would be affected.

In summary, our experience in China has not done to Banner what has been outlined in the 301 docket. We have successfully established strong local presence in China to grow our business without providing competitive technology. The above-referenced tariffs which we would source in China our important component parts do not develop or support the critical mass or the secret sauce, if you will, of our products where we would compete and keep that technology in the U.S.

This would ultimately lead to a loss of U.S.-based employment. Now Banner can compete with anybody in the world. We do compete primarily with large global companies. But this would only make it more difficult. And we compete and win because of technology advancement, not what we would do for sourcing basic components that go inside of our components.

I look forward to answering your questions.

MR. BISHOP: Thank you, Mr. Kautzer.

Our next witness is Jeff Busch with Enerco Group, Incorporated.

Mr. Busch, you have five minutes.

MR. BUSCH: Good afternoon, Mr. Chairman and Members of the Committee. My name is Jeff Busch, President of Enerco Group, a family-owned business headquartered in Cleveland, Ohio. Founded in 1957 as the first radiant heating company in the United States, Enerco has grown over the past 61 years to become one of the largest portable heating suppliers to consumers and contractors in the United States.

Our company employs associates in five states to design, engineer, manufacture, and distribute gas heating products to most every retailer in the country under our Mr. Heater brand. Our heaters provide comfort to Americans on construction sites, campsites, and hunting blinds, and even indoors during power outages.

We strongly support the effort to eliminate policies and practices of China related to technology transfer, intellectual property and innovation detrimental to the U.S. economy. Since Enerco manufactures heaters in both the U.S. and China, we are constantly analyzing the economics of producing in both locations and have as recently as this year launched new products manufactured in Cleveland, Ohio. As of today, our current studies show manufacturing gas forced-air heaters specific to Code 7322900015 in the U.S. for sale to mass retail is not economically feasible, which is why Enerco heaters in this code for both retail and commercial use are currently being produced by our partners in China.

It should be of particular importance to the Committee, while Enerco manufactures certain gas forced-air heaters in China, there's no proven U.S. manufacturing source able to meet the requirements of the U.S. market. In this manner, the tariffs would only serve to increase the price to U.S. consumers as well as to contractors on construction sites, as we head into the upcoming winter season. In fact, a 10 or 25 percent tariff would significantly add to winter jobsite construction cost and could be a contributing factor to a slowdown in fourth and first quarter growth.

While we currently invest 100 percent of our profits back in our business, and have been adding U.S. employees with double-digit growth, this economic slowdown caused by less investment in winter heat would drive the need for workforce reduction at our company, and would yield far less investment in innovation relating to our products as well as our infrastructure.

Heaters within this code do not contain industrially-significant technology, nor do we believe this code includes technology or products related to China's Made in 2025 industrial program. In fact, the portable Mr.

Heater Buddy Gas Heater has been lauded by the CPSC for its unique and patented ability to operate safely indoors; thus, saving lives compared to alternative heaters. This technology was developed by Enerco and has been manufactured by a Chinese business partner for 18 years, and during that period we have felt no pressure regarding forced technology transfer, nor have an IP issues of concern. Said simply, gas forced-air heaters have been keeping U.S. consumers comfortable for many decades, and there is no real technology or gain to be had by China in this category of goods.

Our true competitive edge is here in the United States, where we employ a U.S. workforce to produce heaters in other codes and to delight our customers with world-class design, innovation, and service. While we feel, for all the reasons mentioned, that this code does not meet the criteria for inclusion in the tariffs, to further complicate this code, there are two major manufacturing regions in the world, home to a component supply chain able to support the cost-effective production of gas forced-air heaters. These manufacturing regions reside in China and to a lesser extent South Korea. We do not believe it's the Committee's intent to levy tariffs against Enerco's heaters imported from China while similar products could be imported from South Korea with no U.S. tariff; thus, granting an unfair economic advantage to production in South Korea. As a point of matter, the proposed tariff on this code provides incentive for production of gas heating products to be moved from China to South Korea.

Mr. Chairman and Committee Members, we know that trade analysts were acting in good faith when reviewing all the codes to determine which would least affect U.S. consumers and cause minimal disruption to the economy while still meeting the previously-mentioned goals. This was certainly a daunting task.

We appreciate the time you granted us to share specific details within the code developed for gas forced-air heaters and how a tariff on goods imported from China would, indeed, hurt U.S. consumers and winter construction, would certainly hurt our Enerco employees, and would actually encourage production moves from China to South Korea due to the lack of a U.S. supply chain within these products.

I share these thoughts on behalf of our entire workforce as well as our U.S. retail partners, and appreciate your consideration of our testimony to remove Code 732290 from the proposed tariff list. Thank you.

MR. BISHOP: Thank you, Mr. Busch.

Our next witness is Jennifer Dolin with LEDVANCE, LLC.

Ms. Dolin, you have five minutes.

MS. DOLIN: Thank you. I appreciate the opportunity to speak with you today.

My name is Jennifer Dolin. Before entering the lighting industry 14 years ago, I spent 10 years at the U.S. Environmental

Protection Agency here in Washington, D.C. But today I'm here in my role as Government Affairs Manager at LEDVANCE.

We make Sylvania brand light bulbs in our factories in Pennsylvania and Kentucky. We also operate distribution centers in those states as well as in California to serve our U.S. customers.

Simply put, if enacted, the proposed tariffs would harm our U.S. manufacturing. Seven of the proposed tariff codes are on components that are necessary to manufacture LED, fluorescent, and halogen light bulbs, and these all come from China. China is by far the world's primary supplier of these components, and there are very few options to obtain them from any other countries.

At the same time, there is no tariff proposed on finished LED light bulbs produced in China, imported to the United States. Under the proposed tariff scheme, it would be cheaper to buy finished LED light bulbs from China than it would be to manufacture them in our U.S. factories. In short, the proposed supplemental action puts U.S. manufacturing at risk.

To address these unintended consequences and level the playing field for U.S. manufacturers like LEDVANCE, we suggest either of these two simple remedies: eliminate seven tariff codes from the list, and I have those in my written testimony, or add finished LED light bulbs to the list, also in my testimony. These two steps would help protect U.S. manufacturing.

For context, I'd like to provide a bit of history about our U.S. production. Sylvania light bulbs have been a household name in America since 1901. Our U.S. headquarters is in Massachusetts, and we employ more than a thousand U.S. workers nationwide, over 650 of whom are in our manufacturing plants and distribution centers. Our factories in St Marys, Pennsylvania, and Versailles, Kentucky, both rural areas, carry on our long tradition of producing high-quality light bulbs using components from both the U.S. and abroad. In many cases, our U.S. workers represent multiple generations of local families.

When federal legislation mandated a phase-out of traditional incandescent light bulbs, the lighting industry turned to energy-efficient LED technology. Instead of taking the easy route and sourcing all of our light bulbs from China, LEDVANCE invested $10 million to re-engineer and retrofit our production lines. We enabled high-speed manufacturing of LED light bulbs right here in the U.S. Our factory in Pennsylvania now manufactures LED light bulbs four times faster than the Chinese.

I understand you're looking for answers to very specific questions. So, I would like to address some of them. Can we move our products out of China and, if so, where can we source them? The answer is, yes, we can make them here. That was our plan before the tariffs. This fiscal year that ends at the end of September, 31 percent of the finished LED light bulbs that we sold to customers were produced at our U.S. plants. The remaining 69 percent were sourced from China. Our plan for next fiscal year, starting in October, is to reverse that ratio. We plan to produce 70 percent of our LED light bulbs here and purchase just 30 percent from China. We had not counted on the tariffs that would prevent this from being economically feasible.

The second question, how long would it take? Our U.S. factories could quickly scale-up to meet 100 percent of customer demand. It would take just 120 days to add employees and schedule additional shifts.

What are the impediments? The only impediment is the tariff proposal. With the tariffs as proposed, purchasing components would be more expensive than buying finished light bulbs straight from China. The proposed tariffs would put our U.S. production at a significant disadvantage.

To summarize and reiterate, it

enacted, the supplemental action would harm U.S. manufacturing, which we know is not the Administration's intent. To avoid unintended consequences, we recommend either of these two simple steps: eliminate seven tariff codes from the list or add finished LED light bulbs to the list. Either of those two actions would level the playing field for U.S. manufacturers and help protect American workers.

Thank you again for your time and consideration.

MR. BISHOP: Thank you, Ms. Dolin.

Our next witness is Eric Jacobson with American Lighting Association.

Mr. Jacobson, you have five minutes.

MR. JACOBSON: Mr. Chairman and the Committee, thanks for the opportunity to be here today. My name is Eric Jacobson, and I'm President and CEO of the American Lighting Association, known as ALA.

ALA is a Dallas-based trade association representing 3,000 members in residential lighting, mainly fixtures, ceiling fan and control industries in the United States. The membership is comprised of manufacturers, manufacturer reps, retail lighting showrooms, and lighting designers. We represent family-owned and operated businesses, and those are American family-owned and small businesses.

Imposing 10 or 25 percent tariffs on the products of the lighting industry would likely cause great harm to the American-owned companies and their workers. The lighting industry has been transformed with the advent of the LED, and allowing tariffs would stifle innovation and disrupt energy efficiency developments.

ALA believes the need to protect a company or country's collective IP is a just cause. The threat China imposes on our sovereignty is real, but while the lighting industry takes issue with IP protection very seriously, we do not have any severe cases of IP theft for which tariff protection is warranted.

The lighting industry has experienced a significant growth curve. Manufacturing companies are desperate for workers, seeking highly-skilled labor to bolster their ranks and support their customers. However, the proposed tariffs would threaten to alter that course. Additionally, the imposition of tariffs would cause a disruption in supply chains, resulting in job losses as well as higher prices and upset consumers.

Manufacturers have indicated they will curb domestic research and development and focus on resourcing and negotiated concessions with their current sources. These supply chains have been built over 30 years, and these are proven and established sources of materials and components needed for lighting products. Ninety-seven percent of the residential lighting products, particularly fixtures, manufactured for sale in the U.S. are made by U.S. manufacturers who do import from China, but they employ more high-paying U.S. jobs than ever before. These are not Chinese imports flooding the marketplace in the fixture market.

Production-related jobs would not transition to the U.S., and tariffs are not encouragement to bring jobs ashore. They would significantly harm current workforces and stall employment.

Allowing the proposed tariffs on lighting products to take effect would hurt job growth and increase prices. Lighting retailers are facing new challenges. They are surviving competition from multiple channels of distribution, are navigating a web of challenging sales tax policies. Our retail stores are the face of the lighting industry to the general public, and the tariffs and the related price increases will leave the consumer with less discretionary spending. Bottom line, if a 10 or 25 percent tariff is put in place, the burden will be on small businesses and, ultimately, the U.S. consumer.

Additionally, lighting retailers work

with large and small homebuilders across the country. Lighting tends to be on the end or one of the final finishing products installed in a home and, as such, is often at the end of the purchasing chain. If tariffs are implemented, lighting products will be hit doubly hard as consumers will have already spent considerable dollars on other items associated with the homebuilding process.

In conclusion, lighting is unique in that it touches everyone's life every day. Very few industries can make that bold claim. In fact, cutting-edge scientific research is happening today that is proving that lighting affects one's health, one's mood, and one's general well-being.

On behalf of the ALA, the voice of lighting fixture manufacturers and retailers in residential lighting products, I request that the Committee review the 13 HTS codes that are in my written testimony and remove them when you make your final determination.

Our members appreciate the urgency to protect IP and our national interests, but in the case of the residential lighting market, it is only the American consumer that will be hurt by this 10 or 25 percent tariff.

Since early this year, tax reform has made a very positive impact on the economy. ALA encourages President Trump, Ambassador Lighthizer, and the USTR, and the members of this Committee to look at other alternatives to tariff that will support tax reform, not counteract it.

Again, thank you for my time today.

MR. BISHOP: Thank you, Mr. Jacobson.

Our next witness is Spencer Stock with Lester Electrical.

Mr. Stock, you have five minutes.

MR. STOCK: Thank you for the opportunity to testify. My name is Spencer Stock. I'm the President and CEO of Lester Electrical.

Lester Electrical is a manufacturer of electrical power conversion and monitoring products located in Lincoln, Nebraska. We have been designing and manufacturing battery chargers and related products for industrial and commercial electric vehicles, battery chargers for mission-critical industrial and commercial battery backup applications, and professional lighting power and control products in Lincoln, Nebraska since 1963. Our company's motto is: high tech meets the heartland. And we are out on the silicon prairie competing with other companies from around the world in the high-tech space of electrification.

Because of the highly-competitive nature of the markets that we serve, we've had to develop both a global supply chain and a global manufacturing footprint. Like the vast majority of U.S. manufacturers of electronics, we source products from China because the manufacturing of a great number of electronic components is primarily and in many cases solely located within China. As such, we use electronic components that we source from China in products that we manufacture in our factory in Lincoln, Nebraska, and we also manufacture select products in China.

For a highly-engineered product such a complex piece of electronics, it can take years and a great deal of financial resources to establish a global supply chain because of the number and type of qualification activities required, from component identification to engineering testing, to quality assurance auditing. A few months' notice is nowhere near enough time to up-end the supply chain for a single highly-engineered product, let alone many highly-engineered products, especially for a small business such as Lester Electrical with limited resources.

Even if the notice created were more reasonable, redesigning products to eliminate electronic components manufactured in China would essentially require us to take all of our resources away from designing new products, putting us at a significant competitive disadvantage. This would, then, flow downhill to our customers, many of which are small and medium-sized businesses themselves that have qualified our products for use within their own highly-engineered products. If we change the electronic components used in our products, they must re-qualify them all, at great expense as well.

As such, it is the strong belief of Lester Electrical that imposing additional duties on electronic components in general would cause disproportionate economic harms to U.S. manufacturers of electronics and other U.S. manufacturers that utilize those electronics with or within their equipment, especially small and medium-sized businesses.

In our particular case, we respectfully request that tariff subheadings 8504.40.95 and 8534.00.00 be removed from the list of additional duties. Moreover, for the products we manufacture in China, currently, we still bring many of these units to the U.S. that will ultimately be exported to other countries, so that we can perform final assembly on the units, warehouse them for quick shipment, et cetera, which results in U.S. jobs. Even with the potential for duty drawback, the additional duties would result in us shipping more products directly from China to our customers in other countries, resulting in us not adding new U.S. jobs or potentially reducing U.S. jobs.

Finally, in our particular situation, Lester Electrical does not see how increasing duties would be an effective method of obtaining the elimination of China's acts, policies, and practices related to technology transfer, intellectual property, and innovation. We strongly believe that it would only result in disproportionate economic harm and have an adverse effect on U.S. jobs. As such, Lester Electrical again respectfully requests that tariff subheadings 8504.40.95 and 8534.00.00 be removed from the list of additional duties.

As a U.S. manufacturer, the initial round of Section 301 tariffs area already affecting our business. When those tariffs were originally proposed, we did not participate in the process to give testimony or submit comments because we were certain that the Administration would see that additional duties on the subheadings for electronic components would negatively impact U.S. manufacturers of electronics, the primary importers of these subheadings. As such, we are participating to the full extent possible this round, hoping to shed light on this major issue facing U.S. manufacturing.

Thank you for the opportunity to appear and testify.

MR. BISHOP: Thank you, Mr. Stock.

Our final witness on this panel is Mark Werner of Lamplight Farms, Incorporated.

Mr. Werner, you have five minutes.

MR. WERNER: Thank you, and good afternoon. My name is Mark Werner. I'm the President and CEO of Lamplight Farms, Incorporated.

Lamplight is a leading producer of consumer products for outdoor living, particularly natural flame torches, tabletop vessels, and citronella candles. We are the makers of Tiki brand torches, fuel, and candles.

I'm here today to testify in opposition to the Section 301 tariffs that have been proposed for imposition against numerous products, including Tiki torches and Tiki citronella candles.

We understand and appreciate the objectives of the Section 301 proceeding. The United States need to ensure that other countries are trading with us on fair terms. We accept that the grievances against China identified in the Section 301 determination require a response. However, the fact that I am testifying here today illustrates just how far removed the current proposed remedy is from addressing the harm that has been identified.

The Section 301 determination includes detailed findings about China's acts, policies, and practices related to forced technology transfer and IP theft. Given that, it seems odd that Lamplight's goods have been included on the proposed list for supplemental tariffs. It is hard to imagine products less vulnerable to forced technology transfer and IP theft than Tiki torches and citronella candles.

The Section 301 determination also focuses on the industry where China aims to promote through its industrial policies, such as Made in China 2025. In that industry policy, the Government of China has made clear its intent to promote and develop strategic high-tech manufacturing industries. Again, it is hard to imagine products which benefit less from these industrial products than Tiki torches and citronella candles.

China is aiming to become a leader in advanced robotics, biotechnology products, and cutting-edge technologies like self-driving cars. China has no apparent state-sponsored strategy for becoming a world leader in outdoor lighting and decor products. We've been sourcing products in China for several decades, and have never seen indications of such a state strategy, if one exists.

From a sourcing perspective, bamboo torches represent a significant percentage of our product portfolio. We manufacture bamboo and metal Tiki brand torches in China in large part because the raw bamboo used to make bamboo torches is not available in the U.S. This bamboo cannot be grown effectively in the U.S. But, as you may have heard, bamboo is a resource that China has in abundance. This has driven our sourcing decisions.

Although Tiki torches are manufactured outside of the U.S., our Wisconsin facility employs many workers who package torches before shipment to customers. We also run a significant U.S.-based filling operation for torch fuel, which will be adversely affected, should these tariffs come into effect. A decrease in demand for Tiki torches will mean a decrease in demand for Tiki fuel.

We are glad that the U.S. Government is taking steps to position the United States as a global leader in cutting-edge 21st century technologies. We even support in the abstract this Administration's efforts to take appropriate steps to ensure that U.S. companies continue to be globally-competitive and leaders in technology innovation. But we question in the strongest terms how a reduction on U.S. imports of Tiki torches and citronella candles can be a key part of that strategy.

The proposed tariffs will have a massive adverse impact on our company. Lightlamp Farms is a medium-sized business with 70 full-time and 70 part-time employees. Many of these jobs stand to be affected if these tariffs are imposed as planned.

We are concerned that the intention to impose tariffs on a range of non-technology goods, if these duties are imposed, they will effectively prevent U.S. consumers from being able to buy backyard decorative lighting, torches, and tabletop candles that have been beloved by U.S. families for generations.

We respectfully request that you spare our company from being drawn into this dispute to which we are utterly foreign. Thank you for your consideration.

MR. BISHOP: Thank you, Mr. Werner.

Mr. Chairman, that concludes direct testimony from this panel.

MS. M. SMITH: Thank you very much.

I'd like to direct my question, please, to Ms. Allen-Carr of MacLean Lighting. In your statement you say that "minimum sourcing alternatives exist," as China is the major or the primary supplier to the world of many of these components. I was wondering perhaps if you could provide us with some additional detail regarding other countries that might be suppliers of the components in question other than China.

MS. ALLEN-CARR: Sure. I'd like to talk to specifically the 7326908688. We purchase some forgings and we purchase some ductile iron castings from China. Globally, ductile iron casting foundries, there is a global constraint on capacity. In the United States, many of the foundries over the last five years have gone out of business and consolidated. So, the availability in the United States is limited.

Some of this has to do with capital as tooling for some of that equipment is quite expensive. And our industry in general is very antiquated. Not a lot of changes have happened to the power and the product lines that you see.

So, when we buy a ductile iron casting, it's a very small, lower or less part-weight item. It is not very technically-savvy. It doesn't have tons of machining. And so, not everybody wants to make it.

For example, in North America, if you were to go to Mexico and look at foundries, most of the Mexico foundries will not quote it. And the reason they won't is because most people want ductile iron castings that are larger-weight or more technical-savvy. A lot of people don't want to make a small part that doesn't add any pizazz to what they're producing.

So, around the world, one of the constraints that I'm having is that our particular product style that we have is not something most people want to get into.

Also, I wanted to say that we are a manufacturer in the United States. And so, part of what we do is we buy from lower-cost countries, so we can keep the manufacturing here in the United States. So, our plants manufacture.

For example, in Pelham and Alabaster, we have aluminum casting foundry, but you'll notice on here you'll also see that we buy some die-casting, 7616995160. Not only were we hit by Section 232, now this is another proposal for that. What we do, or I think our company does well, is we try to make the components that we can do cost-effectively, but we want to be able to supply our customer with everything they need when a storm comes, when a disaster happens. And so, to do that, we have to source some things outside of the United States to be able to continue to supply to our customer.

Did that answer your question?

MS. M. SMITH: It did in part.

MS. ALLEN-CARR: Okay.

MS. M. SMITH: But you devoted your comments, admittedly, as an example to really one of the items.

MS. ALLEN-CARR: I can elaborate on the others.

MS. M. SMITH: I was going to suggest, if I may, in the interest of time, that you submit answers regarding all of the items that you have on the list --

MS. ALLEN-CARR: Sure.

MS. M. SMITH: -- for the record, indicating where there are alternative sources that might exist and/or reasons why you don't think these alternatives are viable.

MS. ALLEN-CARR: Sure.

MS. M. SMITH: Thank you very much.

MR. MULLIS: Good afternoon.

My question is for Mr. Kautzer. In your testimony, you highlighted some of the challenges of sourcing these products from other countries outside of China, but could you elaborate on what countries that are possibilities and what are some of their capacities at the moment?

MR. KAUTZER: Thank you.

It's actually a multi-level question. But the core answer to our issue is we are a high-mix, low-volume business. So, we literally buy thousands of these boards. And we've created a supply chain that not only our supplier, but our supplier's suppliers, who we've worked with for many years, developed a very high-quality supply base. We've looked at and tried to find other capabilities in countries like Malaysia, Vietnam, and India. The capacity doesn't exist, and the ability to have a high-quality supply chain just simply isn't there right now.

There is some very limited capacity in the U.S., but it's mostly supporting our prototype in fast response on new products. So, what we will use is the U.S. manufacturers to get the boards prototyped and work through the various iterations. And then, ultimately, because of cost, we have to move that to a higher-volume, optimized facility.

MR. MULLIS: Thank you.

MR. SULBY: My question is for Mr. Busch. You talk about the potential that, if the tariffs were imposed, it would incentivize the shifting of production from China to South Korea. Could you shift your production from China to South Korea if the tariffs were imposed?

MR. BUSCH: Thanks for the question. It's a very good one.

But, then, I guess I'm the only heater guy among lighting and electronics on this panel.

Within the heater world, it's a very risky category. So, we're dealing with propane gas, kerosene, obviously flammable liquids. And in our world, risk is huge. So, delivering these type of products to the U.S. consumer, we have to make, also within our competitor base, that we deliver safe products.

While, theoretically, South Korea does have a small base of manufacturing today, yes, production could be moved there, there's not enough capacity there. And certainly, from a timeframe, it would take quite a while to feel comfortable that the production there would be safe.

So, you know, in a quick word, yes, but it would take quite a while and it would be somewhat risky.

MS. ZUCKERMAN: This question is for Ms. Dolin. In your testimony, you note that tariffs on LED driver housing assemblies will have the greatest impact on your business.

MS. DOLIN: Yes.

MS. ZUCKERMAN: Are there other producers of LED driver housing assemblies other than China?

MS. DOLIN: Thank you for the question.

When we talk about the driver housing -- I brought a little show and tell. This electronic is the driver or the electronics, basically, and it goes into the base. So, this total right now does come from China. The only option is to buy the base separately. The electronics can only come from China, unfortunately. So, we could purchase them from China via perhaps Mexico, have our facility down in Mexico put them together, and then, import those directly to the U.S. It's, essentially, ultimately, the same thing, but that's the only way to avoid the tariffs. There's no one else who makes these or the LEDs, which are these strips here.

MS. PETTIS: Mr. Jacobson, you claim that Vietnam, Malaysia, South Korea, and Taiwan are already-established sources of the materials and components needed for lighting products. In your view, could U.S. businesses source their components from these countries instead of China?

MR. JACOBSON: It's not likely. There is some small lighting being manufactured there, but they don't have the facilities; they don't have the infrastructure. Our manufacturers have spent 30 years of tooling, developing the relationships. All the designs are created here in the U.S., and they have those relationships there in China. So, yes, there is some in those countries, but they're just not prepared to handle that. And just to move all those operations of what they have built -- some of our companies are their employees over in China; some of them are the factory employees. But it would be very difficult.

MS. PETTIS: Thank you.

MR. CONCEICAO: My question is for Mr. Stock. In your testimony, you said it can take several years to alter a given supply chain to make use of other suppliers, other providers outside of China. I was wondering if you can give us an idea of what's involved in such an action that would cause it to take that amount of time.

MR. STOCK: Sure. Happy to.

So, again, with our products, and electronics in general, especially complex electronics, there's a lot of things that go into it, right? So, the first thing is component selection, right? And so, when you have a product that has thousands of components in it, you have to go through and select all those components, which involves, first, finding them, then testing them. Once you've selected it, then all the components need to go into the design, right? And all these components, it may seem like they're interchangeable, but they're not, right? And so, then the design takes place. Once you find your source for them, then your quality group needs to audit the facilities that are involved. And so, it takes a lot of time for a simple product, but it takes even more time for a complex product, electronics.

There's a lot of moving parts. And

so, it takes year for a complex piece of electronics to go through the whole process. And so, to move that, first of all, like I tried to point out, for us as the manufacturer, takes a long time. But, then, we're selling all of our products to people that are, then, integrating our products as a component within their machine, whether it be a golf car, a forklift, whatever that may be. Now they've got to go through the same process and re-qualify, too, because we've changed on them. So, it's just not reasonable to move electronic supply chains within a couple of months. It takes a couple of years to do it.

MR. CONCEICAO: All right. Thank you very much.

MR. STOCK: You're welcome.

MR. WINELAND: And, Mr. Werner, you indicated that the United States is not a viable supplier of raw bamboo, and that, of course, China has an abundant supply. Are there other countries that have the sorts of raw bamboo that you could use in your production?

MR. WERNER: There are other countries we've looked at that could grow this type of bamboo. None of them have the infrastructure to cut and weave 7 million bamboo torches. Furthermore, we've attempted to find folks that would be willing to look to build that infrastructure, and the interest has been limited. So, our efforts to date, we really haven't found any alternative.

CHAIR BUTLER: Sorry. As a follow-up, what about alternative materials instead of bamboo?

MR. WERNER: Bamboo is about half of our torch material. We also do a lot of other torches, particularly metal. So, we've looked at other countries that we could source metal from, and we've tried to do that. It is possible. Some of the challenges are that they use some of the same components as the bamboo. So, there's some inefficiencies of splitting the bamboo from the other product. Costs have been higher. And maybe most importantly, in those locations, the supply chain, particularly transportation, has not been as fast or as dependable, and we're a very seasonal business. So, having a dependable, fast supply chain is absolutely critical.

MS. BONNER: Mr. Stock, you testified that your business could also choose to shift production to China and ship directly to global customers. In such a shift, would that also require you to re-qualify your goods or have your customers re-qualify the goods?

MR. STOCK: No. I was referring -- not the products we make in the U.S., but the ones that we are making complete in China right now. We still bring most of those products into Lincoln to do final configuration on or to warehouse for quick shipment, and then, ship back out domestically as well as internationally.

For the international customers, those are the ones we would direct-ship from China. The same product, we just would not bring it to the United States because we wouldn't want to deal with the tariff bringing those in. Even with the opportunity for duty drawback, it just wouldn't be worth it to us. And so, we would direct-ship the stuff that the ultimate destination is outside of the United States, the same manufacturer, the same product.

MS. BONNER: And to follow up on that --

MR. STOCK: Sure.

MS. BONNER: -- what would be the percentage of that change? Like how much would you potentially, then, be shifting to direct shipments?

MR. STOCK: It would probably be around 30 percent.

MS. BONNER: Okay. Thank you.

MR. BISHOP: We release this panel with our thanks.

And we invite the members of Panel 24, our final panel this evening, to come forward and be seated.

Mr. Chairman, our first witness on this panel is Jake Colvin with the National

Foreign Trade Council.

Mr. Colvin, you have five minutes.

MR. COLVIN: Thank you very much.

My name is Jake Colvin, Vice President for Global Trade and Innovation at the National Foreign Trade Council. Thank you for the opportunity to testify again.

We believe that imposing tariffs on $200 billion worth of Chinese goods is unlikely to change China's behavior. We believe these tariffs will simply create a new status quo of higher trade barriers.

I submitted written testimony which outlines in more detail the concerns that we have with a variety of products on USTR's list. I want to spend the remainder of my testimony here summarizing the harm that the tariffs would cause to U.S. businesses and consumers for several priority subheadings for us.

The proposed list includes a massive range of consumer products. Tariffs will lead to consumers paying more for everyday products as well as a reduction of retail margins. Examples of these products include apple and other imported juices; babies' and children's items, including toddler seats, highchairs, and car seats; bikes and bicycle parts, and inputs to electronics, internet of things, and connected media devices, which will raise the cost of a wide range of technology products, including game consoles, voice assistance, and connected-home products, as well as furniture, home appliances, and homewares, including air conditioners, vacuum cleaners, gas grills, and luggage. Tariffs also threaten to diminish U.S. competitiveness in technology innovation, including innovating around cloud technology, artificial intelligence, and internet-connected devices.

Our member companies import components from China which are used in American manufacturing facilities from Wisconsin to Texas to manufacture innovative American-made technology products. Tariff on a variety of key components which are listed in my written testimony would directly increase the cost and difficulty of building data centers in the United States and would move manufacturing and jobs outside of the United States. These tariffs will also raise the cost for American small businesses and farmers who rely on internet connectivity and connected technologies.

In particular, HTS 85176200 is a critical tariff line for enabling internet connectivity. Products covered by this subheading enable devices to connect with one another. Tariffs on this subheading would negatively impact the competitiveness of American technology companies.

Items that fall under HTS 84733911 cover most of the core inputs to data centers and other U.S. digital infrastructure, including memory modules and other printed circuit board assemblies. If tariffs are imposed, companies will be incentivized to move manufacturing and final assembly of servers and other cloud infrastructure overseas.

Tariffs will also negatively impact a host of American industries that employ hundreds of thousands of Americans and are a critical part of the U.S. industrial and export base. Increased cost due to tariffs on apple juice would have significant adverse effects on the competitiveness of U.S. food and beverage companies. Imposing tariffs on barite threatens to undermine U.S. oil and natural gas production. Tariffs on parts in the U.S. manufacture of wind turbines would affect the cost and competitiveness of U.S. wind turbine manufacturers.

As I already noted, imposing tariffs will harm U.S. technology and cloud companies and would ultimately help their Chinese competitors. And tariffs on postage meters and parts and accessories would harm U.S. businesses against their European competitors as well as more than 700,000 small and medium-sized businesses who use these products, as well as the U.S. Postal Service.

We believe that damage to American businesses and consumers would be even greater if the Administration decides to impose a 25 percent tariff instead of 10 percent tariffs.  Tariffs are also slowing down decision-making and will harm U.S. growth, as businesses grapple with uncertainty, as well as retaliatory tariffs in key export markets, while consumers contend with higher prices.

In conclusion, we ask USTR to remove the HTS subheadings referenced in my written testimony from the list of products subject to tariffs, and we continue to urge the U.S. Government to seek to resolve outstanding concerns through direct consultations with the Chinese Government while working with its allies to apply pressure jointly on China to reform its practices and policies.

Thank you for the opportunity to testify.

MR. BISHOP:  Thank you, Mr. Colvin.

Our next witness is Jian Tan with the

China Chamber of International Commerce.

Mr. Tan, you have five minutes.

MR. TAN: Good afternoon. My name is Tan Jian, Director General of the Legal Service Department of the China Chamber of International Commerce.

CCOIC represents 167 enterprises across all industries and sectors in China. CCOIC would like to express serious concerns on USTR's proposed supplemental action to impose an additional 10 percent or 25 percent duty on Chinese products in its entirety.

The proposed action is neither in the interest of China nor in the interest of the U.S. According to the vast majority of the written comments submitted to the USTR and the testimonies made by the witnesses during the past three days, raising tariffs will not only hurt the U.S. importers, retailers, and industrial industries, but also result in a high cost of living for ordinary Americans and put at risk millions of American jobs that are tied to trade with China.

The U.S. and China should resolve differences through negotiation. CCOIC considers that the aggregate level of trade, that is, $200 billion, and the level of the increase in the rate of duty, that is, 10 percent or 25 percent. If approved, American people, Chinese people, and the people of many third countries all will suffer. This action will cause serious harm to U.S. interests as well as the interests of the global community.

In particular, CCOIC doesn't agree with the U.S. comment on the additional duties on the products which are not involved in the alleged, but, in fact, nonexistent unreasonable Chinese acts, policies, and practices, and comments on the workers in these industries have obtained no benefit from the alleged acts, polices, and practices. It is unfair for them to be victims of the trade war.

After intensive discussions with our members' companies, CCOIC requests that all the subheadings under the following HTS U.S. Chapter should be removed from USTR's proposed list. The products include, but are not limited to animal products, vegetable products, animal or vegetable fats and oils, et cetera; prepared food stuffs and beverages, et cetera; mirror products; raw hides and the skins and leather, et cetera; wood and articles of wood, et cetera; pulp of wood and paper or paperboard, et cetera; textile and textile articles; headgear and parts thereof; ceramic products and glass and glassware, et cetera; base metals and articles of base metal; furniture, bedding, and lamps and lighting fittings, et cetera.

For most of these products, imports from China significantly lower the living cost of ordinary American people. Result: sacrificing the quality of life of reduced cost of imports for U.S. industry and manufacturers, and thus, make them more competitive in the international market. It is very difficult, if not impossible at all, for U.S. importers to establish a comparable supply chain as well.

To impose additional duties will cause harm to the American companies that make efforts to optimize allocation of resources globally and to the American consumers who purchase cost-effective Chinese products, including millions of low-income families.

Thank you.

MR. BISHOP: Thank you, Mr. Tan.

Our next witness is Aaron Levin with Beijing DHH Law Firm.

Mr. Levin, you have five minutes.

MR. LEVIN: Good afternoon. My name is Aaron Levin, and I am --

MR. BISHOP: Pull your mic a little closer, if you would, please.

MR. LEVIN: Okay, sir. Okay.

I am Mr. John Tang's associate. He's the original speaker. I'm just standing in for now.

So, he has asked me to read a statement on his behalf. I will also convey any questions this Committee may have for him, which he will respond in the post-hearing process.

Mr. Tang writes, "Thank you once again to this Committee for the opportunity to provide our testimony in opposition to this new round of tariffs on Chinese imports to the United States.

"DHH Law Firm is a global business law firm that represents the interests of its clients in the U.S. as well as in China.

"This new round of proposed tariffs and the ongoing trade disputes with China are causing significant hardships for our clients, and we ask this Committee once again to seriously consider the consequences of this policy before making any decisions on these new tariffs.

"First, I would like to point to the detrimental impacts that the previous tariffs have had on global business. Many of our clients are in the automotive and manufacturing industries. As we warned in our previous testimonies before this Committee, the $34 billion and the subsequent $15 billion in tariffs have caused our clients to readjust their businesses and hurt their bottom lines.

"These past tariffs hurt our clients in two ways. No. 1, the incoming tariffs raised cost 25 percent. If you are in the steel industry, then, in addition to the Section 232 tariffs and other, those companies are facing around 50 percent or more in new costs. And No. 2, the retaliatory measures already taken by China in response to these last two rounds of tariffs are making it harder for U.S. businesses in the Chinese market.

"Many of these harmed businesses are not Chinese businesses nor are they Chinese-owned. Many are U.S. businesses that have had to make tough decisions as a result of these tariffs, decisions such as, one, holding off on making capital or strategic investments that would have helped these U.S. businesses, getting global market share, and be more competitive.

"No. 2, cutting costs that threaten jobs and product quality.

"And No. 3, passing costs to end-consumers that increases the cost of living for average U.S. citizens.

"Our larger clients may be less profitable this year due to tariffs, which would hurt the confidence of their shareholders and the confidence of the economy at large. However, it is those small businesses and mid-sized companies that we represent that have suffered the most. For some of these SMEs, these tariffs could mean the difference between staying open or closing down. The negative effects of the impact of these tariffs to the U.S. economy may not be readily apparent, but, given time, I'm sure all the statistics and economic numbers will reflect what we already see from servicing our clients. Again, these are U.S. businesses that contribute jobs, pay taxes, and make investments.

"Second, this new round of proposed tariffs on $200 billion worth of Chinese imports covers nearly half of everything imported from China, including everything, as was mentioned, from food products, meat, fish, vegetables, et cetera; to textiles for clothing; to furniture; to parts for commercial and consumer vehicles. These will all affect the U.S. consumer.

"For example, one of our clients has already been hurt by the 25 percent additional import tariffs from HTS Code 85443000, which affects the automotive industry. In these new proposed tariffs, their home appliances division, which accounts for nearly $40 million in sales in China, will again be hurt by the 25 percent proposed tariffs on HTS Code 85444290. This is a U.S.-owned, U.S.-based company that happens to be in China because, one, most home appliances are made in China, so their customers are in China; and No. 2, China is the largest market for home appliances, such as washing machines, stovetops, vacuums, and so on.

"On the other side of the coin, this company exports many raw materials from the U.S. to China to make their product, and these raw materials have been taxed as China's way of retaliating against these Section 301 tariffs. Everything, including electrical wires, couplings, and lights, as was also mentioned, have been taxed by the Chinese anywhere from 10 to 25 percent. This back-and-forth taxation is not sustainable for companies such as my clients, and it is not sustainable for the U.S. economy.

"In our previous testimonies, we have made arguments against these tariffs, which included, first, it is bad for U.S. businesses; bad for U.S. consumers, and bad for the U.S. economy. Second, it will decrease foreign direct investment from China, which accounts for a major portion of FDI in the U.S. Three, it does not address the issue of intellectual property protection, which these 301 hearings supposedly are resolving. Four, it is not an effective deterrence to the Chinese. And five, the retaliatory measures from China and the negative light it sheds on the U.S. From a global perspective, it's detrimental to U.S. businesses.

"We ask this Committee to further consider the impact of these tariffs and the Chinese countermeasures will have on U.S. businesses, especially if, because of these actions, U.S. businesses, whether automotive, such as GM, Ford, or Chrysler; or others such as Apple, Nike, 3M, Corning, Starbucks, Amazon will start to lose market share in China to their international competitors or Chinese domestic brands. These losses could damage the U.S. economy on a great scale and have longer, if not permanent, effects than any tariff placed.

"We, again, respectively urge this Committee to consider all of the consequences of these new tariffs and what it would mean to the U.S. economy. And we would be happy to answer any questions or provide further details on what we have presented today.

"Thank you," on behalf of John Tang.

MR. BISHOP: Thank you, Mr. Levin.

Our next witness is Peter Tompa with the Global Heritage Alliance, Incorporated.

Mr. Tompa, you have five minutes.

MR. TOMPA: Thank you, Mr. Chairman and Committee.

The Global Heritage Alliance and the Committee for Cultural Policy oppose tariffs on collections and collectors' pieces classified under HTS heading 9705 and antiques classified under HTS heading 9706. Imposing duties on art objects that have been previously exempt from customs duties will cause disproportionate harm to the small and medium-sized businesses of the U.S. art trade, as well as to museums and collectors.

Moreover, the proposed tariffs will only benefit China's mercantilist approach to art that has already been facilitated by the State Department's controversial 2009 decision to embargo cultural goods, at the Chinese Government's request.

Tariffs on cultural goods listed in these headings would be unprecedented. Such artifacts are unlike most manufactured goods.

Art is not typically subject to customs duties because our government has generally sought to encourage cultural exchange. Moreover, many cultural goods that fall within HTS heading 9705 and all cultural goods that fall under HTS heading 9706 are not of recent Chinese manufacture, but were produced long ago and have been collected for decades, if not hundreds of years, not only in China itself, but elsewhere in the Far East, the United States, and Europe.

Simply placing duties on such objects will not, quote/unquote, "hurt" Chinese industry, but place further disincentives on Americans from importing Chinese cultural artifacts long held in third countries, including our allies in Europe and Japan.

Almost 90 years ago, Congress exempted antiques in order to encourage the free flow of artistic and cultural materials into the U.S. The Harmonized Tariff Schedule for the U.S. Tariff Act of 1930 establishes the concept of an antique as a handicrafted object 100 years or older. Thus, the U.S. exempted antiques from duty even before the UNESCO Florence Agreement of 1952, which was intended to, quote, "facilitate the free flow of educational, scientific, and cultural materials by removal of barriers that impede the international movement of such materials."

The 100-year definition of antique used in the Tariff Act of 1930 was formalized in the Educational, Scientific, and Cultural Materials Importation Act of 1966, which made importation of antiques made prior to 100 years before their date of entry duty-free. The same Act enabled duty-free importation of ethnographic objects made in traditional aboriginal styles and made at least 50 years prior to date of entry.

Therefore, imposing 10 percent, or now 25 percent, tariff on cultural goods that fall under HTS Codes No. 2705 and 2706 would change the longstanding precedent allowing entry of such goods duty-free and may, in fact, even be inconsistent and contrary to congressional authority.

Perversely, new import duties would also only further play into the hands of the PRC and the auction houses associated with its governing elite, like Poly Group, a company associated with a major Chinese weapons producer, controlled by the family of the former leader Deng Xiaoping, and China Garden Auctions, run by Chen Dongsheng, the grandson-in-law of the PRC's founder Mao Zedong.

China is now the world's largest market for art and antiquities. Yet, incredibly, rather than helping U.S. businesses to compete, our own State Department has, instead, severely damaged the ability of U.S. auction houses and dealers to import Chinese art from third countries for resell.

In 2009, China first asked the U.S. to impose import barriers on Chinese art and antiques. A U.S.-China Bilateral Agreement under the Cultural Property Implementation Act was signed in 2009 and renewed in 2014. The

Bilateral Agreement is expected to be renewed again this year. This U.S.-Chinese Bilateral Agreement already covers virtually all Chinese art and artifacts from the Paleolithic period through the Tang period that ends around 976, as well as monumental sculpture and wall art over 250 years old.

The Government of China itself has set a renewal of the 2009 U.S. import restrictions again in 2018. Why? It's because U.S. import barriers facilitate the movement of the global market for Chinese art to China itself. After the enactment of the original Bilateral Agreement in 2009, the auction market for art and antiques in mainland China experienced a 500 percent growth between 2009 and 2011, and by 2011, the Chinese auction market surpassed all other countries of the world with $9.3 billion in total sales value.

Imposing high tariffs on the limited universe of artifacts that may still be imported under current CBP procedures, i.e., artifacts documented as being outside of China as of the 2009 effective date of import restrictions, will do absolutely nothing to achieve the purported aims of the proposed tariffs. Instead, such tariffs will further damage the ability of small businesses of the art and antiquities trade to import Chinese art from third countries, as well as make it even more difficult for collectors and museums to acquire such art.

Thank you for your consideration of these issues that are so important to the American museums, collectors, and small businesses of the art and antiquities and numismatic trade. I'd be happy to answer any questions.

MR. BISHOP: Thank you, Mr. Tompa.

Our next witness is Russell Western with Transdesic International, Incorporated.

Mr. Western, you have five minutes.

MR. WESTERN: Thank you. Thank you for the opportunity to testify today.

I am Russell Western, the Managing

Director and CEO of Transdesic International, Incorporated. Our company is based in Leroy, New York, with two warehouses in the United States and one in China. We are a company employing people in the United States and in China. We import millions of dollars of natural stone products, and our company supports many thousands of American manufacturing and construction jobs, primarily based in the Northeast, but extending to nearly half of the United States.

We sell natural resources into the U.S. markets from mountain quarries, no IP, no manmade products, and nothing that holds technology or any patents. Our products are specifically used for the construction of outdoor living spaces. An example of our products would be 1-and-a-quarter-inch-thick purple sandstone pavers that are used to construct a patio or 96x16x6 super black sandstone step used at the entrance to a home or a courtyard or a garden. All of these products require additional U.S. fabrication, customization, and installation.

The HTS U.S. subheadings into which our products fall, are greatest concerns are 6802.92.00, 6802.93.00, 6802.99.00. Per the Department of Commerce USITC data web, the 2017 import value of the product imported from China under these three subheadings were approximately $274 million.

Our products can only be found in China. The earth was formed how the earth was formed. It is something that cannot be changed or altered. Our products are unique and cannot be sourced outside the United States or in any third country. For example, there is no purple sandstone or super black sandstones anywhere other than China.

You may hear testimony during these hearings that stone quarries in the United States will benefit from tariffs on these HTS codes. This argument is like saying apples from the U.S. apple orchards will benefit from tariffs on imported bananas, which almost entirely come from overseas. In our example, people may eat more apples, but they will surely eat a lot less fruit. This is the definition of protectionism and economically detrimental.

We feel confident that this is not what the tariff action is supposed to do. These tariffs will be harmful to hundreds of manufacturing and thousands of construction jobs in western New York alone. Transdesic imports these materials to support downstream U.S. distribution companies, U.S. manufacturing operations, and U.S. construction jobs.

A single mid-sized stone distributor in our area made the following estimates of how the tariff action would affect their business and downstream clients. They estimated a decrease in revenue of $5.1 million; an estimated layoff of 36 in their workforce; 67 dealers decreasing their offering, losing revenue, job retention, and job creation abilities; more than 720 contractors unable to sell and use these products, resulting in loss and breakage of contracts; 8,460 retail consumers not able to complete projects in 2019. These are estimates of one company.

Please remember that, with regards to the above-referenced $274 million imported under our three HTS U.S. subheadings from China, the above distributed buys a tiny fraction of total imports. In fact, the U.S. natural stone industry has more than 85,000 employees, and industrywide the annual total natural stones' imported value from all countries across all HTS codes is about $3 billion. The comparable point-of-first-sale value of domestic stone is only about $500 million. So, imported stones support a lot of jobs.

These products are literally Stone Age technology. Made in China 2025 is promoting breakthrough in 10 key sectors. This is definitely not one of those. There can be no benefit these products will have towards this initiative. It is worth taking note that the People's Republic of China and their central government fundamentally dislike the domestic stone business.

In fact, they do the opposite of supporting it. They demand ever-increasing environmental and labor safety standards. We've even witnessed in our company unannounced surprise visits to small factories where government officials simply bulldoze factories to the ground with no notice in preparation for central government environmental inspections, a nice surprise for factory owners, indeed.

A tariff on a product made by an industry that China is discouraging is not practicable or effective to obtain the elimination of China's inappropriate acts, policies, or practices.

Finally --

CHAIR BUSIS: Mr. Western, if you could conclude, please?

MR. WESTERN: Sorry?

CHAIR BUSIS: Your tired has expired. If you could please wrap up?

MR. WESTERN: Yes. Yes.

Finally, these tariffs will be severely harmful to our business. In fact, if this tariff takes effect, we are out of business. We just don't have the margins to support it. We may not be the largest company in the Northeast, but the cascading effect of destroying our business will hurt a lot of people. Our services and products strongly support American jobs. This also applies to similar companies in our industry. The proposed tariffs will severely damage the entire industry. Our profits, our customers' profits --

CHAIR BUSIS: Thank you. Thank you, Mr. Western. We'll be happy to read the rest of the testimony in your written submission. Thank you.

MR. BISHOP: Thank you, Mr. Western.

Our next witness is Bo Yi with the Southeastern University Law School.

Mr. Yi, you have five minutes.

MR. YI: Good afternoon, Distinguished Chairperson and the Members of this 301

Committee.

My name is Bo Yi, Associate Professor of International Trade from Southeast University. I would like to express my warmest thanks to the 301 Committee for the opportunity to offer comments.

I urge the United States Trade Representative not to impose 25 percent tariffs on the below-mentioned subheading of 6,031 tariff lines forming 81 chapters of the HTS U.S. codes.

China's retaliation has an international legal basis. On July 6th, 2018, China responded by imposing increased tariffs on goods of the United States, in light of what Ambassador Lighthizer has quoted China's retaliations and a failure to change its practices. And China has since retaliated against the United States by imposing tariffs on 34 billion U.S. dollars in U.S. exports to China and is threatening tariffs on another 16 billion U.S. dollars. It didn't resolve any international legal basis; all just friction.

However, as an international trade law scholar from China, in my testimony I make testimony to why China's retaliations has international legal basis or justification from the way of international law. Both China and the United States are members of WTO and bounded by the agreement establishing the World Trade Organization and its analyses.

However, in the recent period, the United States, firstly, announced the imposition of tariffs on goods worth 15 billion U.S. dollars from China, and has, then, released its action prepared to impose tariffs on goods imported from China worth 200 billion U.S. dollars. According to Article XXI, Security Exceptions, of GATT 1994, which established that "Nothing in this Agreement should be construed" "(b) to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests;" "(iii) taken in time of war or other emergency in international relations".

In my opinion, the United States really constitutes a significant breach of established agreements, because of Most Favored National Treatment and the bounding tariffs are the cornerstone of the WTO modern-age trading system. Unless this approach clearly relates to obligations and to the international relationship by and between the United States and China are in emergency law, it can be followed within the paragraph (b)(iii) of Article XXI of GATT 1994, which rules that "taken in time of war or other emergency in international relations".

Under such questions, China also has the international legal basis to suspend the implementation of WTO obligations in whole or in part, and implement retaliation against the imposition of Section 301 tariffs by the United States.

China's retaliation has justification, according to our China domestic law. In accordance with Article 7 of the Foreign Trade Law of the People's Republic of China, which is established that the People's Republic of China may adopt countermeasures against any country or region which impairments are discriminatory by a restriction or other similar matter against the trade of the People's Republic of China, in accordance with actual significance, and Article 14 of regulations of the People's Republic of China on import and export duties, which was more information. So, China has its domestic justification to take countermeasures against the Section 301 tariffs.

Conclusions: the United States is placing its domestic law above international laws. In order to safeguard its legitimate rights and interests and the modern-age trading system, China has to make necessary countermeasures. China's retaliations have international legal basis or justification from review of international law and our China domestic law.

China has always worked to the settlement of differences through dialog, but on the basis that China and the United States must treat each other equally and keep promises to each other.

That's all. Thanks for your consideration, and I am very happy to answer your questions.

MR. BISHOP: Thank you, Mr. Yi.

Our final witness on this panel is Haicheng Zhu with the Zhejiang Chession Law Firm.

Mr. Zhu, you have five minutes.

MR. ZHU: Thank you.

As the last witness here, I'm here to look at everyone's eyes, and I'm not going to read through the scripts. I think you have plenty of time there. I'm going to tell you some stories and try to remind you of the heavy responsibility that lies in your hands.

First, without WTO authorization, the current 301 investigation is like a lynch against normal business between Chinese and the U.S. businessman. Why? Let me tell you. Currently, USTR 301 Committee is playing the role of, please, prosecutor, judge, juries at the same time during the whole investigation. Can you imagine what kind of results would come out of such kind of investigation? Actually, the outcome is doomed at the very beginning.

Even though some products, they are lucky to get excluded, maybe we are glad for them. But the total damage is already out there. Indeed, today we hear the words quite often that's the ecosystem, the kind of supply chain, that's broken; that's broken already.

So, what's going to happen? During my flight to the U.S., I watched a movie called "A Few Good Men". I'm sure most people have seen that. Can you imagine when Kaffee, the role played by Tom Cruise, went to the courtroom and everyone is on the side of the Colonel Jessup? Can you imagine that? No, that would definitely not be fair.

So, it's like here. WTO members, China and the U.S. are both WTO members. So, the U.S. should really challenge that, the kind of challenges, the problems you thought that China has in WTO panel firstly. That's very natural. That's a very basic rule. But the U.S. side is not really following that, and all these investigations are unilateral. So, that's not fair at the very beginning.

And can you imagine, also, according to domestic laws, the legitimacy is still in doubt. In the case of WT/DS152/1, that's the applicable case. People can look into that. And there, the U.S. promised through statements of administrative acts that they are not going to act unilaterally. But here again, can you imagine in such a common ABCD case there would be very complicated procedures, but here everything is so simple and so fast, and the results are so devastating for so many enterprises in the U.S. And I'm not sure in China what it's like; still, very big.

Secondly, the equations in 301 event reportings, a lot of them are very vague and they're not very precise. A lot of entities, their entities are not clearly stated. So, we don't know who they are. They just are overbroad and vague.

And also, I wrote on the page, on my script, that on page 26, they said the effect of technology transfer as market access, 3 percent says it's dropping. So, it's 60 percent it's growing; 27 percent, it's stabilizing, not changing. So, in total, it's 66 percent. What about the remaining 34 percent? Who are they? Do they have any comments, normal comments, at all?

So, we would like to say there are a lot of problems that we would like to really solve. And also, we would like to especially ask for the exclusion for textile products. You can see, textile products, they have nothing to do with the kind of mandatory technology/IP theft. They have nothing to do. Even in China, in the province that I'm from, Sichuan Province, it's also transferring the manufacturing factories to the other parts of China. We are not saying the jobs are being stolen by the other parts of China or even around China to tie into the other countries. So, it's a very natural process of the economy.

So, we really think that it's very important for everyone to see the kind of heavy burdens in your hands that you should really pay attention to, to make sure that the kind of tragedy in Code Red in the film did not happen again.

Thank you.

MR. BURCH: Thank you, Mr. Zhu.

Mr. Chairman, this concludes this panel's testimonies.

CHAIR BUSIS: Before we start the questioning, Mr. Burch, we have an eighth person at the table. Is this a witness? Do you know? Your assistant? Oh, okay. That's fine.

MR. SULBY: My first question is for Mr. Tompa. Given that the price of art and each piece of art is unique, one might assume that art is not particularly sensitive to price increases via tariffs. Do you understand otherwise and, if so, what is the basis for that understanding?

MR. TOMPA: Well, I think you have to look at the perspective of a dealer. So, you have to keep in mind that there is not a high turnover of art. It doesn't come in and go out. So, by putting these tariffs on there, it will impose a very, very large burden on a dealer buying a piece of art who may have to hold it for six months or a year. And that's assuming people can go -- I mean, there's other aspects of Asian art people could collect, too. So, presumably, people who would otherwise collect Chinese art might move to some other type of art.

But the main problem is actually the fact that the dealer has to hold these items for quite some time before they sell it. And so, they pay upfront the large duty, and they would have to sit on it for even longer. This is at the same time that the U.S. Supreme Court has had that recent decision on sales tax. So, they're going to get the double-whammy. They're going to get the sales tax from the states, and then, also, this. So, that's the concern. That's the major concern there.

MS. ZUCKERMAN: This question is for Mr. Western. You say in your testimony that your products can only be found in China. Just to confirm, are all the products you use imported from China or only certain specialty stones that exist only in China? And is there a way to distinguish those stone products that are only geologically available in China from other products in the HTS code?

Thanks.

MR. WESTERN: So, the United States offers a small number of stones in its own domestic market. We try to bring stones to our customer bases for them to review and market research and determine the salability in the U.S. market to contractors, homeowners, et cetera.

The stones that we have been asked to supply from outsourcing have happened to all be Chinese stones, and they are only available in

China. So, for us, it's do or die. There's nothing for us to do.

MS. ZUCKERMAN: And the second part of that question was whether or not there's a way to distinguish those stone products that are only geologically available in China from other stones under that HTS code.

MR. WESTERN: I don't really understand the question.

MS. ZUCKERMAN: Under the product list, is there a way to separate out the stones you need or somehow distinguish the stones you need from China from all the other stones included in that list?

MR. WESTERN: I don't believe so.

MS. ZUCKERMAN: Thank you.

CHAIR BUSIS: Mr. Western, could you clarify for the Committee, is your concern that -- well, put it this way: if the consumer is not going to install Chinese stone because of this tariff, which I presume is your -- is the concern that the consumer will use other products that aren't stone or that they will continue to use stone, but a stone that your company does not source?

MR. WESTERN: I believe that if the tariffs came in on the Chinese stones, that the U.S. consumers would have the choice to continue buying them at a higher price, but other products which are not stone products would replace those in the marketplace, concrete or metal, or something else, as price for homeowners becomes a big issue. And the concern is that not only would they have the stones that they want, but that the entire industry would disintegrate.

CHAIR BUSIS: So, the entire stone industry depends on Chinese stone, not stone from Italy or the United States or?

MR. WESTERN: No, I think that stones from Italy would continue in the marketplace as the percentage that they represent and maybe grow a little bit. The U.S. stones would continue at $500 million of the $3 billion. But a lot of stone comes from China. The natural resources in the mountains and selection capabilities of granites, limestones, sandstones are in China. It's a very plentiful natural resource in China.

CHAIR BUSIS: Okay. In your post-hearing testimony, it would be helpful to get sort of a breakdown of the various sources of stone.

Okay. Next is, yes, Maureen. Thank you.

MS. M. SMITH: Thank you very much.

I'd like to direct my question to Mr. Colvin from NFTC. The preponderance of your statement points to products that you feel should not be included in a list that would be detrimental to various groups in the American economy. Query: is there a category or a list of products that actually might be added to the proposed tariff list that you feel would actually enhance the effectiveness of the overall tariff action?

MR. COLVIN: Thank you. Thank you for the question.

We don't believe that imposing tariffs at large is the right way to approach resolving our differences with China. As I mentioned in my written testimony, we're concerned that what this action will lead to will be the United States imposing long-term trade barriers on imports from China. We would prefer to see the United States continue to negotiate directly with China as well as work with our allies through other venues to put pressure on China in order to change their behavior.

CHAIR BUSIS: Excuse me for the obvious follow-up, but I will ask it. You may be aware that the United States has been talking to China for years on this, certainly well over a decade, and with allies. Is there some time limit or would you advocate the United States take this position for another five years, ten years, twenty years, a hundred years? What is your plan here?

MR. COLVIN: We understand that there are no easy answers here and also understand that there are talks going on this week between the two sides. We do believe that there are forums like the Trilateral Forum, for which I understand that there are also talks going on this week between the United States, Europe, and Japan to try to address market barriers like this with respect to China. We think that those are the proper avenues in order to pursue our differences. I can't put a time limit on it.

MR. MULLIS: Hi. My question is for Mr. Tan Jian. In your testimony you specify whole HS chapters that you argue should be removed from the tariff list. What products are you recommending remain on the list?

MR. TAN: I would like to let my assistant, Mr. Ren Qing, to answer this question. Thank you.

MR. REN: Thank you very much for your question.

Actually, since the USTR published the notice to propose this supplemental action to impose additional duties on more than 6,000 tariff subheadings of Chinese products, CCOIC has sought comments from our members. And our members consult with their American trading partners, their clients. After that, the members, hundreds of members came back to CCOIC and expressed their concerns regarding the proposed action.

As we made it clear at the very beginning of the testimony, CCIOC and its members have concerns with the proposed action in entirety. That means we believe that no additional duties should be imposed. That is the first point.

The second, why we identify those products, those chapters, why we identified? That is from our members. The basic reasons are, the main reasons include, first, these chapters, the products under these chapters are not involved in the --

CHAIR BUSIS: Mr. Ren, maybe you could wrap this up. And we have further questions. So, if you can maybe wrap this answer up?

MR. REN: Yes, yes. Thank you. Thank you.

I'm coming directly to answer that question.

CHAIR BUSIS: Okay.

MR. REN: The first reason is that the member companies, the CCOIC members believe that these chapters are not involved in the alleged Chinese acts, practices such as forced technology transfer and other policies and acts.

And second, they consult with our American clients. They believe that, if the additional duties are imposed on these products, it will cause severe harm to American consumers and the downstream industries.

Thank you.

CHAIR BUSIS: Yes, our follow-up question is, so the Chinese Chamber advocates a negotiated solution. As you know, a negotiated solution requires two parties. Have you expressed your concerns directly to the Government of China as well as to the U.S.

Government?

MR. TAN: Yes, of course.

CHAIR BUSIS: Mr. Levin, before we ask you a question, in your testimony you cite -- in your law firm, correct?

MR. LEVIN: Yes.

CHAIR BUSIS: Yes. In your testimony, you cite GM, Ford, Chrysler, Apple, Nike, Corning, Starbucks, Amazon. Are those companies the clients of your law firm?

MR. LEVIN: So, I can't speak wholly for Mr. Tang. They may be clients. They may simply be comparisons.

CHAIR BUSIS: All right. Okay. Well, that's not helpful really. Okay.

MR. LEVIN: Okay.

CHAIR BUSIS: So, normally, a law firm speaks on behalf of clients.

MR. LEVIN: Right.

CHAIR BUSIS: So, what I would ask you to do is for you to put in your post-hearing testimony which of your clients have approved this statement, because it's really rather odd to cite a bunch of firms that are not your client. Maybe if you could understand --

MR. LEVIN: I understand that.

CHAIR BUSIS: Okay.

MR. LEVIN: Yes.

MS. BONNER: Thank you.

Mr. Levin, why do you specifically cite food products, furniture, textiles, and auto parts as having a detrimental impact as proposed tariffs, rather than any other products? Why were those selected?

MR. LEVIN: So, again, I'm simply reading the statement on behalf of my associate. I can only confer the statement and have him respond in the post-hearing process.

MS. BONNER: Thank you.

CHAIR BUSIS: Professor, I feel like we're old friends. So, you have testified how many times before this Committee?

MR. YI: Three.

CHAIR BUSIS: Three times? It's very

interesting. So, could you clarify, you're a professor. Are you speaking on behalf of any interest or are you just here as a citizen of the world who wants to talk about international law?

MR. YI: So, can you repeat your question?

CHAIR BUSIS: Are you here -- you're a professor. Are you here on behalf of anyone else? Or you're just here as a professor who wants to talk about law?

MR. YI: Okay. Thanks for your question. That is my third time to come to -- you asked these two previous testimonies onsite. The reason why I come here, because I am an international trade law scholar. My research is focused on WTO law. So, then, I represent myself and also represent my knowledge. I want to express it to the 301 Committees who sit here to know the international legal basis for this example and the reason why the United States Trade Representative initiates additional 200 billion U.S. dollars tariffs.

CHAIR BUSIS: Okay. I understand. Okay.

MR. YI: Yes.

CHAIR BUSIS: So, Professor, when China imposed its two rounds of duties on U.S. goods, are you aware did the Government of China hold a public hearing like this?

MR. YI: You know that we --

CHAIR BUSIS: Could you please answer my question?

MR. YI: Yes, yes. I understand.

As you know, that --

CHAIR BUSIS: I just want like a yes-or-no answer. Did the Government of China hold a hearing like this?

MR. YI: According to our domestic law, we can do -- according to my domestic law, we -- yes, and according to China domestic law, and I have explained it in my testimony, yes.

CHAIR BUSIS: So, is the answer yes or no? Did China hold a hearing? I'm just trying to get an answer here.

MR. YI: I understand, but you can reference to my --

CHAIR BUSIS: No, I want -- you're here to testify. So, it's fair to ask you the question. Did China hold a hearing?

MR. YI: I understand, but --

CHAIR BUSIS: You won't answer? Okay, that's fine.

Let's go to the next witness. That's fine.

MR. YI: I understand.

CHAIR BUSIS: Yes. That's fine.

MS. PETTIS: Okay. I have a question for Mr. Zhu.

MR. ZHU: Okay.

MS. PETTIS: Why do you see textiles as particularly important for removal as compared to other products on the proposed product list? Are there any particular textiles that are particular priorities for you within that sector?

MR. ZHU: Okay. Thanks for the question.

The textile industry, as you know, particularly in China, and even such as in the markets such as Target, we can see a lot of Chinese-made products here. And in our opinions, in our knowledge, it's like a domino card. I mean, when the textile industry is influenced, gradually, I mean, the other products, they will also be influenced. So, we specifically raise that to try to remind you the importance to actually exclude as many products as possible. But textiles is of priority, I think, because that's also going to be a big hit to U.S. customers and the U.S. market. So, that's why I think we should remind that at the very beginning to take that out, to let you know the importance.

Thank you.

MR. YI: So, Mr. Busis, can I add my reply to your second question? Only in one sense, because China and the United States are a different legal system, the second answer to your question is not simply to suggest all -- yes.

MR. ZHU: Sorry. What I am saying,

textiles, it's not just textile products, but also textile-related, such as the machineries, because they are all in the same business zone. It's not just the kind of products such as blankets or these, but also the machineries, they should also be excluded because they are going to affect each other very tightly.

Thank you.

CHAIR BUSIS: Mr. Burch, we can release this panel?

MR. BURCH: Yes, Mr. Chairman, we release this panel with our thanks.

CHAIR BUSIS: So, this is our last panel for today, correct?

MR. BURCH: That's correct.

CHAIR BUSIS: So, we will be in recess until 9:30 tomorrow morning.

Thank you.

(Whereupon, the above-entitled matter went off the record at 5:49 p.m.)

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C E R T I F I C A T E

This is to certify that the foregoing transcript

In the matter of: Section 301 Tariffs Public Hearing

Before: United States Trade Representative
301 Committee

Date: 08-22-18

Place: Washington, DC

was duly recorded and accurately transcribed under my direction; further, that said transcript is a true and accurate record of the proceedings.

Neal R Gross

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Court Reporter